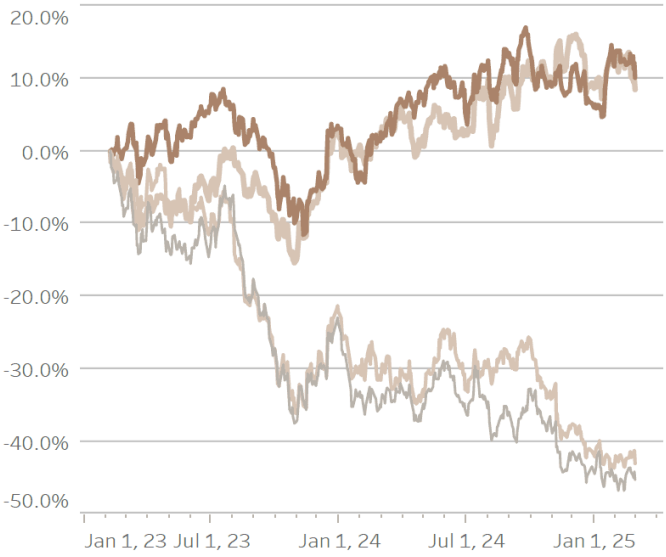
Coeli Renewable Opportunities Monthly Report Feburary 2025 (I USD)

This material is marketing communication.

Note that the information below describes the share class (I USD), which is a share class reserved for institutional investors. Investments in other share classes generally have other conditions regarding, among other things, fees, which affects the share class return. The information below regarding returns therefore differs from the returns in other share classes.

PERFORMANCE, NET OF FEES - IUSD



WilderHill New Energy Global Innovation Index %
iShares Global Clean Energy ETF %
Coeli Renewable Opportunities %
MSCI World Small Cap %

PERFORMANCE SINCE INCEPTION

ABSOLUTE PERFORMANCE (%) [1]

Coeli Renewable Opportunities	11.8%
IShares Global Clean Energy	-43.5%
WilderHill New Energy Global I	-46.4%
MSCI World Equity	31.5%
MSCI World Small Cap	8.7%

RELATIVE PERFORMANCE (%) [1]

IShares Global Clean Energy	55.3%
WilderHill New Energy Global I	58.2%
MSCI World Equity	-19.7%
MSCI World Small Cap	3.0%

Source: Bloomberg, Coeli February 2025

Please note that the indices referred to in this monthly report are included for informational and illustrative purposes only. The fund is not managed in reference to the indices, but the indices are deemed to be relevant and comparable to the fund.

PERFORMANCE IN SHARE CLASS CURRENCY (%) [1]

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2023		11.8%	-8.7%	0.3%	-0.4%	5.9%	-1.4%	-3.1%	-5.2%	-6.3%	4.8%	7.4%	3.2%
2024	-6.9%	6.2%	5.0%	-0.8%	4.7%	-5.4%	6.8%	0.9%	-0.4%	-3.2%	2.0%	-4.6%	3.2%
2025	7.0%	-1.9%											5.0%

ATTRIBUTION FEB -25

Long	-4.8%
Short	2.9%

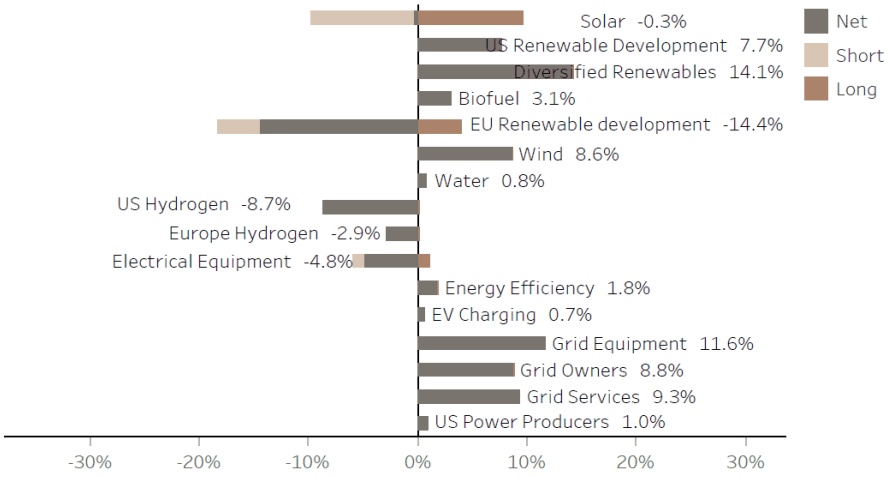
MONTH END EXPOSURES

EXPOSURE, MONTH END

No of long positions	30
No of short positions	15
Gross Exposure (%)	129%
Net Exposure (%)	36%
Max. Largest long % NAV	8%
Max. Largest short % NAV	6.7%
Top 5 shorts % NAV	-27%
Top 5 longs % NAV	32%

Source: Bloomberg, Coeli February 2025

STRATEGY EXPOSURE[1]



Past performance is not a guarantee of future returns. The price of the investment may go up or down and an investor may not get back the amount originally invested.

1) Share Class I USD

Performance for other share classes towards the end of the report.

FUND MANAGER COMMENTARY

The Coeli Renewable Opportunities fund lost 1.9% net of fees and expenses in February (I USD share class). Year-to-date, the fund is up 5.0% and since its inception in February 2023, it has gained 11.8%.

The fund outperformed the most comparable indices, the Wilderhill New Energy Global index (NEX) and the iShares Global Clean Energy (ICLN) by 0.5% and 0.4% respectively. The year-to-date outperformance is 8.4% and 7.4%, and since inception the fund is ahead by 58% and 55%, respectively.

At the end of January, we reduced net exposure to 26%, well below our sweet spot of 40-80%, as the combination of Trump tariff risk, uncertainty around AI-driven power demand and expected IRA headlines made us cautious. Although the expected IRA headlines have not yet materialized, the other two risk factors played out. As we will discuss below, February was dominated by Trump-related developments and tariff concern, compounded by rumours of Microsoft cancelling Data Centers, which accelerated declines in AI enabler stocks, including power producers and industrial power equipment companies.

Februaryâ??s performance was mixed, with long positions losing 4.8% and shorts contributing 2.9%. Only half of the themes delivered positive returns. The best performing themes were all net short, led by â??Electrical Componentsâ??, which contributed 1.3% to NAV, benefitting from the mid-month selloff triggered by the Microsoft rumour. Unfortunately, this caused losses in our other grid related themes. The two hydrogen themes also performed well in February, adding a combined 2.5% to NAV, while â??Solarâ?? was the largest detractor losing 3.0% of NAV. More details in the fund performance part below.

MARKET COMMENT â?? EUROPE OUTPERFORMS THE US FOR THE SECOND CONSECUTIVE MONTH

While the S&P 500 declined by 1.4% in February, Europeâ??s Stoxx 600 surged 3.3%, extending its outperformance against the S&P 500 to almost 9% for the year and recovering more than half of last yearâ??s 17% underperformance.

Several factors have contributed to this shift. On the one hand, there is optimism for peace or at least a ceasefire in Ukraine, which would likely benefit Europe more than the US. Second, the German election had an advantageous outcome and there are strong indications of Germany increasing its fiscal spending on defence and infrastructure, with possible spill-over to other European countries. Third, European equities are trading at a notable discount compared to their US counterparts, providing a more attractive entry point.

On the other hand, recession risk is possibly lurking around the corner in the US. Forward-looking macroeconomic indicators have softened, suggesting that the combined effects of trade and immigration policy uncertainty, along with the economic fallout from the Department of Government Efficiencyâ??s (DOGE) dismissal of federal employees, may be starting to weigh on growth. Just a few months ago, the key concern facing the market was an unleashing of animal spirt leading to a re-acceleration in economic growth and inflation. At that time, the US was a magnet for capital flow, the dollar was strengthening, and the valuation gap between US and European equities reached its widest point in 40 years. The bond market pushed the 10-year US Treasury yield toward 5%, pricing out all but one additional FED rate cut for 2025.

Today, however, the landscape has shifted dramatically. For the first time in years, US equity markets are underperforming global markets, the dollar is weakening, and the 10-year Treasury yield is nearing 4%. Meanwhile, the bond market is expecting three FED rate cuts by year end to support the economy.

As we will discuss below, the primary catalyst behind this reversal, in our view, stems from the policies and unconventional leadership of President Trump. His efforts to redefine the post-World War II economic and security order are likely to have profound and far-reaching implications. While the ultimate success and full impact of his policies remain uncertain, one thing is clear: uncertainty is on the rise. And as history has shown, the stock market does not take kindly to uncertainty.

ITâ??S ALL ABOUT TRUMP, UNFORTUNATELY

The three primary drivers shaping the markets in February and into March are 1) tariffs, 2) the potential for a ceasefire in Ukraine, and 3) increased German fiscal spending. While these factors may seem distinct, we argue that they are interconnected and, in many ways, driven or triggered by Trumpâ??s policies. Also, each of these developments has significant implications for our universe of companies focused on energy security, electrification and renewable energy, all key components of our investment strategy.

Trumpâ??s Direct Impact on the Renewable Energy Sector

In previous monthly reports we have extensively discussed Trumpâ??s dismissal of climate change as a â??hoaxâ??, as well as the limits of his ability to enact sweeping changes without congressional support (see Octoberâ??s report: *The Energy Transition Does Not Stop with Trump*). So far, Trump has followed through on several campaign promises, including suspending offshore wind development, withdrawing the US from the Paris Climate Agreement, and halting the Environmental Protection

Agencyâ??s (EPA) use of the Social Cost of Carbon metric. He has also frozen funding for certain clean energy initiatives, though some of these actions were challenged in court, with the EPA ultimately keeping its funding promises.

Despite these moves, strong legal and institutional guardrails in the US should limit Trumpâ??s ability to fully dismantle Bidenâ??s climate legacy. The most significant barrier remains legislative change, which requires congressional approval. With a slim Republican majority in Congress, the big question is whether the Inflation Reduction Act (IRA) will be repealed or significantly amended. As we argued in the October report, we do not believe the IRA will be revoked outright, but it will almost certainly face modifications. The Republican Congress is currently debating how to finance the extension of the Tax Cuts and Jobs Act (TCJA), which expires at the end of this year, and this discussion will likely shape the fate of the IRA.

Returning to the three primary drivers of last monthâ??s market dynamics, we examine their impact on our investment universe.

1. **Tariffs: Trumpâ??s â??Most Beautiful Wordâ?•**

Tariffs have been a cornerstone of Trumpâ??s economic policy, and he has consistently framed them as a tool to enrich America by taxing both friends and foes. As we highlighted last month, the Republican-led Congress may have to rely on tariff revenue to help finance the extension of the TCJA, which is estimated to cost about $4.5 trillion over 10 years. Trumpâ??s additional tax promises, e.g. cutting taxes on tips, eliminating the estate tax, and making the TCJA permanent, further complicate the fiscal outlook. Compounding the challenge, Trump has pledged to halve the staffing of the Internal Revenue Service (IRS), the agency responsible for tax collection.

Congress faces a daunting task in balancing these fiscal demands. While repealing the IRA was a Trump campaign promise, most pundits agree that this would not significantly address the budget shortfall. Similarly, the Department of Government Efficiency (DOGE), led by Elon Musk, claims to have saved USD 105bn and Musk is targeting annual savings of USD 1trn, a target most economists believe is farfetched. For context, according to the New Yorker, dismissing all federal employees outside the military and postal service would save only about 250 billion a year.

If savings fall short of what is needed, Congress will be forced to seek alternative sources of revenue. In this context, we believe tariffs are more than just a negotiation tool for Trump. A 10% across-the-board tariff on all US goods imports, valued at approximately $3.3 trillion in 2024, could, if keeping everything else the same, cover more than half the cost of extending the Tax Cuts and Jobs Act (TCJA).

Clearly, everything would not stay the same. Tariffs would likely reduce import volumes as some foreign goods become uncompetitive, thus lowering tariff income. For most imports though, tariffs will simply drive up the prices for consumers, reducing disposable income for other goods and services. Additionally, retaliatory measures from trading partners will dampen US exports and these factors will likely weigh on both the US and the global economy. Nevertheless, tariffs would still provide a sorely needed revenue income for the US government.

Interestingly, the tariff revenue could reduce the pressure to repeal or find cost savings in the IRA. In this way, tariffs could indirectly benefit the renewable energy sector in the US. Domestic producers like **First Solar (FSLR)** would stand to gain twice over as they would retain their tax credits while also enjoying a competitive edge over foreign rivals subject to import tariffs. Conversely, European

companies like **SMA Solar (S92)** with production in Europe and more than 50% of its revenues in the US, would likely face challenges.

While it is not a foregone conclusion that the US will impose tariffs on Europe, we consider it highly likely and expect the EU to face similar measures as experienced by Canada and Mexico already in early April following the April 1st presentation by Trumpâ??s team reviewing tariffs on different sectors and countries.

The only certainty about Trumpâ??s tariff policies so far is the uncertainty they create. They are straining the global economy as they complicate corporate investment and supply chain decisions. This is evidenced by the frequent mention of tariffs as a risk factor in earnings calls. U.S. equities, which began the year near all-time highs and was priced to perfection, are reflecting this unease in their performance.

Given that Europe is likely to face tariff-related uncertainty soon, its strong performance this year may come as a surprise. This resilience can be attributed to the other two key drivers: the increased likelihood of peace in Ukraine and expectations of a significant boost in German fiscal spending.

2. **Potential Ceasefire in Ukraine**

With regards to the prospects of a ceasefire in Ukraine, we share the profound dismay felt by many Europeans over the US apparent alignment with Putinâ??s narrative of the war, effectively ceding much of Ukraineâ??s negotiating leverage to Russia. The fact that the US is seeking compensation through mineral rights from Ukraine, a nation victimized by aggression from what was once Americaâ??s primary adversary, will undoubtedly tarnish its reputation for generations to come.

Still, due to Trumpâ??s actions, the chance of a ceasefire agreement has increased significantly. While the exact concessions Ukraine will need to make to Putin remain unclear, there is little doubt that Europe will bear most of the financial burden for rebuilding western Ukraine, estimated at approximately EUR 500bn by the World Bank Group. Rather than continuing to supply weapons and missiles, European companies may soon play a leading role in reconstructing the infrastructure in the western part or the country. In an era marked by rising protectionism, we believe it is likely that the EU will ensure preferential treatment for European companies in contracts funded by EU money.

Companies with a history of operations in Ukraine or the surrounding region, particularly those specializing in construction and infrastructure, stand to benefit significantly. The ripple effects of this spending are expected to positively impact the broader European economy. To leverage this potential, we have launched a new investment theme, â??Energy Efficiency,â?• which so far includes companies involved in constructing energy-efficient buildings. Additionally, our long positions in **Siemens Energy (ENR), Prysmian (PRY),** and **Nordex (NDX1)** to name a few provide further exposure to this theme and to rebuilding Ukraine, aligning our portfolio with the expected surge in demand for sustainable infrastructure solutions.

3. **Increased German Fiscal Spending**

The third driver of stock market performance in February was the strong indication of a significant boost to fiscal spending in Germany. This development is arguably, in no small part, a response to President Trumpâ??s actions. The US has signalled that Europe may soon need to fend for itself, as it can no longer be assumed that America will defend Europe against common adversaries.

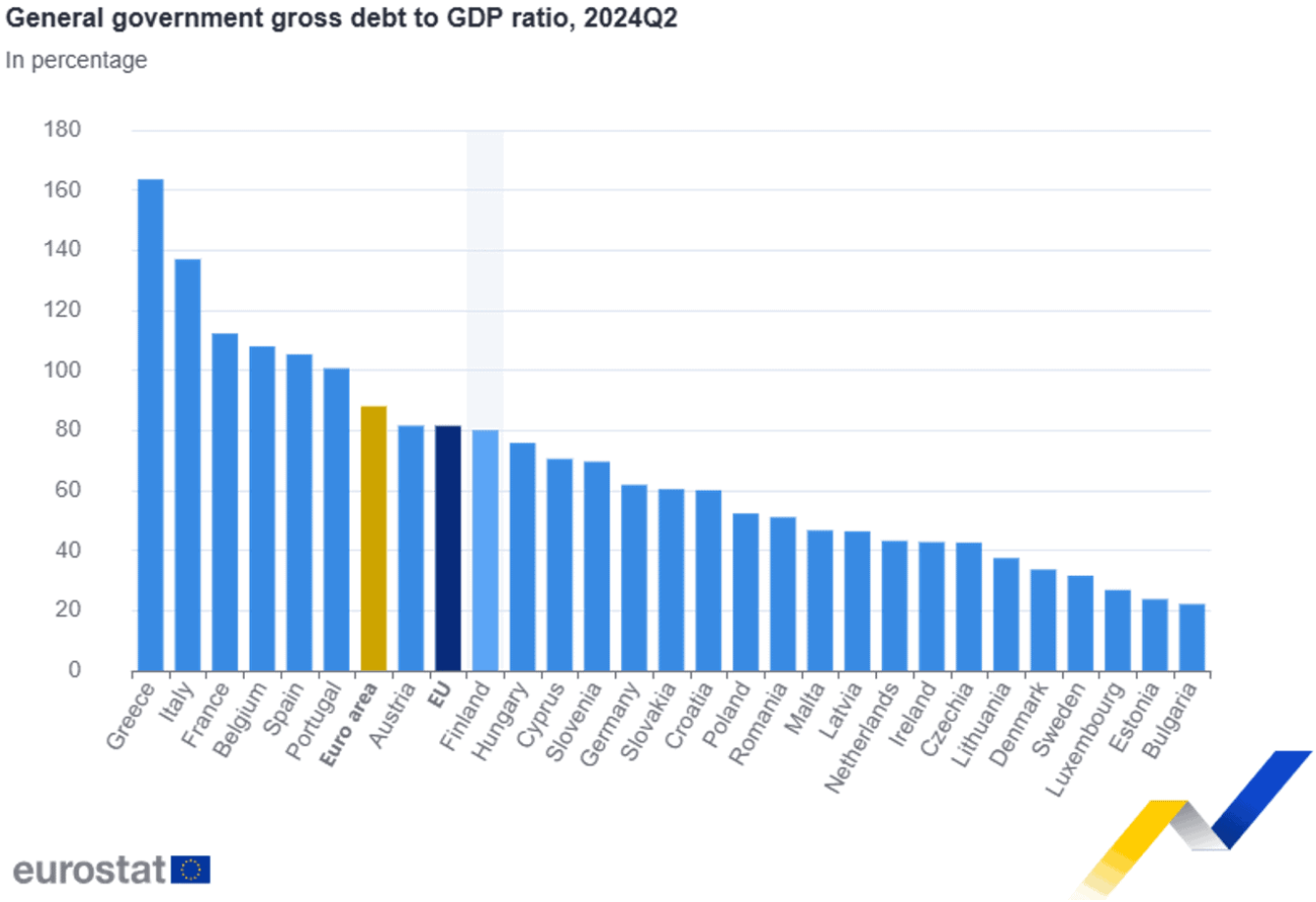
In response, the new coalition government of the CDU/CSU and SPD plans to borrow up to â?¬900 billion and allocate the money to two Special Funds focused on defence and infrastructure. Germany is one of the few major economies with the fiscal capacity to significantly increase borrowing, given its relatively modest debt-to-GDP ratio of about 60%, half the level of the US. It does however require an amendment to the constitution to revise the so-called â??debt brake,â?? introduced after the financial crisis to limit government borrowing. Unfortunately, the new coalition lacks the two-thirds majority in the Bundestag needed to change the constitution, but it intends to push for the amendment in the weeks before the next legislature convenes.

There are two key challenges to this plan. First, altering the constitution after an election result that does not support the amendment may raise democratic concerns. The decision is likely to be challenged and brought before the German Constitutional Court, which could delay any changes to the constitution, new debt issuance, and subsequent spending. Second, the coalition will need support from two other parties, the FDP and the Greens, to secure the two-thirds majority in the current Bundestag. While both parties are expected to agree eventually, the Greens, in particular, are likely to demand concessions. We believe those could be quite positive for our sector as a larger portion of the infrastructure fund spending would be directed toward renewable energy and grid developments.

Assuming the â??debt brakeâ?? is amended and the two funds are successfully launched, the infrastructure fund, worth â?¬500 billion over 10 years, will have a particularly transformative impact. Annual incremental spending of â?¬50 billion represents approximately 1% of Germanyâ??s current GDP and nearly 50% of its total federal investment expenditure in 2024. This would constitute a fiscal stimulus for the German economy not seen since the reunification in 1990. Like then, there will likely be positive spillover effects benefiting the broader European economy through increased trade and investment.

Moreover, the incoming German government is advocating for the EU to relax its fiscal rules, enabling debt-strained member states to ramp up defence spending. Remarkably, just six weeks into Trumpâ??s presidency, the global landscape, or at least EU fiscal policy, has already been upended, signalling a profound shift in economic and geopolitical priorities.

A likely outcome in our view is that other EU countries follow in the footsteps of Germany. While some countries like France, Spain and Italy are highly indebted, the EU as a group has financial headroom.



Risky near-term environment

It often feels as though the news flow of the coming months is portrayed as being of extraordinary importance, but this time, we believe the sentiment may be justified.

First, we believe EU will be hit by US tariffs in early April. As such, investing aggressively in Europe in the near term is far from a straightforward decision, especially following the last months sharp multiple expansion. Still, companies focused on energy security, energy and IT infrastructure, roads, bridges, buildings and defence, particularly those with a predominantly domestic focus within Europe and Ukraine, are likely to be well positioned over the next years.

The initial market reaction to the German stimulus plans has been a broad-based rally, but we believe some companies are still undervalued while others might have already overshot their fair value. As a result, we have added both longs and shorts in Europe during the month. We are currently evaluating a list of companies that we believe could further profit from this development and plan to adjust our portfolio accordingly.

Moreover, the US government faces a potential shut down in mid-March unless Congress agrees on a continuing resolution to fund government operations for the coming months. However, the Republican-controlled House may instead pursue a budget reconciliation bill. While the success of this bill is highly uncertain, it is likely to generate headlines related to the IRA. This is of utmost importance for the clean-tech industry.

For markets, the potential imposition of tariffs and the lifting of Germanyâ??s â??debt brakeâ?? are the most critical developments to monitor. While we believe Europe is likely to face a trade war with the US,

this could be offset, at least for German equities, by the incoming governmentâ??s expansive fiscal policy. Overall, the range of possible outcomes is wide, but it seems safe to assume that volatility and dispersion between winners and losers will remain elevated. This environment will present compelling trading and investment opportunities for stock pickers capable of acting swiftly on both the long and the short side.

FUND PERFORMANCE â?? MIXED PERFORMANCE IN FEBRUARY

The fund lost 1.9% of NAV in February but outperformed the renewable indices by 0.4-0.5% and the small cap indices Russel 2000 and MSCI World Small Cap by 3.5% and 1.6%, respectively.

Februaryâ??s primary market drivers had a mixed impact on our portfolio. While we have limited exposure to US tariffs on the long side, we are short Chinese companies in the â??Solarâ?? theme and companies with exposure to Mexican production for US consumption in â??Electrical Componentsâ??. The latter theme was the best performer in February, adding 1.3% to NAV. However, we believe the main driver was rather the ongoing multiple de-rating of AI enablers following the Deepseek announcement in late January, compounded by rumours of Microsoft potentially scaling back data center plans.

Where thereâ??s smoke, thereâ??s fire. The rumour seems to be true, but the underlying factors paint a more complex picture that doesnâ??t necessarily indicate a decrease in overall data center demand. Two primary elements are at play. First, some prospective data center leases were indeed cancelled due to insufficient power supply and grid connection issues. We highlighted this issue in the March 2024 report â??*Roadblocks on the AI highway*â?•. Second, the remaining cancelled capacity has been effectively replaced by increased demand from Oracle. This shift is attributed to Microsoft redirecting OpenAIâ??s computing demand to Oracle as part of the massive USD 500bn Stargate Project announced by President Trump in January.

We have begun selectively adding back some exposure to the grid sector, as valuation multiples have derated by 20-40%. As highlighted in our December report, powering AI is only â??the icing on the cakeâ?? of the broader power demand story. The electrification of industry, transport and heating, coupled with a significant expansion in US manufacturing capacity driven by President Bidenâ??s infrastructure incentives, had already created a favourable backdrop for the sector before AI-driven expectations surged. With Trumpâ??s focus on reshoring manufacturing to the US to avoid tariffs, we remain optimistic about the long-term prospects for companies providing grid equipment and services. Still, the â??Grid Serviceâ?? theme declined by 1.2% in February. As we are not convinced the derating is complete, we will continue to add to shorts in the shorter-cycle and more competitive electrical component industry which is also more vulnerable to tariffs.

While we had limited exposure to the prospect of peace in Ukraine, we have added a new theme called â??Energy Efficiencyâ?? which includes companies poised to benefit from Ukraineâ??s reconstruction as well as increased German infrastructure spending.

As we wrote earlier, our portfolio already holds significant exposure to German and European infrastructure across other themes. For instance, the â??Windâ?? theme, where onshore turbine manufacturer **Nordex (NDX1)** is by far the largest position, gained only 0.4% in February, but **NDX1** has surged by more than 20% so far in March, driven primarily by the expected German infrastructure stimulus. We are also optimistic about the â??Grid Ownerâ?? theme, which includes European owners of transmission and distribution grids, critical energy infrastructure likely to receive increased funding in the coming years.

The best performing thematic in February was once again in Hydrogen, where the two short themes added a combined 2.5% to NAV. We have written extensively about our negative view on hydrogen, and our conviction has only strengthened as reality have set in and projects are cancelled. Our largest challenge is to add to the shorts as borrow cost are going up as market cap declines and short interest increases.

On the other hand, the worst performer in February was as mentioned â??Solarâ??, deducting 3% from NAV. The main culprit was **First Solar (FSLR)**, our primary bet on the manufacturing tax credits part of the IRA remaining intact. We have discussed this position in many previous monthly letters and will not dwell on it further. Our primary short positions in the â??Solarâ?? theme are stocks with exposure to China as we still expect Trump imposing restrictions on Chinese-owned companiesâ?? access to US funding under the so-called Foreign Entity of Concern (FEOC) requirements.

Conscious of the numerous significant risk factors anticipated in the coming months, we raised our net exposure from the mid-20% range at the end of January to mid-30% range by the end of February. Gross exposure remains around 130%, providing us with ample flexibility to swiftly capitalize on opportunities arising from the various risk events expected in the near term.

We look forward to providing you another update next month.

Sincerely

Vidar Kalvoy & Joel Etzler

PERFORMANCE IN SHARE CLASS CURRENCY (%)

IUSD

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2023		11.8%	-8.7%	0.3%	-0.4%	5.9%	-1.4%	-3.1%	-5.2%	-6.3%	4.8%	7.4%	3.2%
2024	-6.9%	6.2%	5.0%	-0.8%	4.7%	-5.4%	6.8%	0.9%	-0.4%	-3.2%	2.0%	-4.6%	3.2%
2025	7.0%	-1.9%											5.0%

ISEK

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2023		7.1%	-4.9%	0.2%	-0.5%	5.6%	-1.7%	-3.2%	-5.3%	-6.5%	4.6%	7.0%	1.0%
2024	-7.0%	6.0%	4.8%	-1.0%	5.1%	-5.6%	6.6%	0.8%	-0.6%	-3.3%	1.8%	-4.9%	1.4%
2025	6.7%	-2.0%											4.6%

RSEK

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2023		5.6%	-4.0%	0.2%	-0.7%	5.6%	-1.7%	-3.4%	-5.4%	-6.5%	4.5%	7.0%	0.1%
2024	-7.1%	6.0%	4.8%	-1.0%	5.1%	-5.6%	6.6%	0.8%	-0.6%	-3.4%	1.7%	-4.9%	0.9%
2025	6.6%	-2.1%											4.5%

Source: Coeli February 2025

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