

# EVERYTHING ETHICAL MONTHLY NEWSLETTER

## Everything Ethical Newsletter – March 2024

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### Market Commentary

Inflation predominantly continues to trend lower, at the same time the global economy remains fairly resilient, raising the prospect of a 'no landing' scenario, where interest rates do not need to be cut as dramatically as investors had once expected. Policy makers have touched on the strength of the labour market and the fear of inflation becoming entrenched, but this is beginning to show signs of cooling. Wage inflation continues to slow, with one report showing the rate of growth for starting salaries in the UK is at its lowest for three years, with both permanent and temporary recruitment contracting. Nonetheless, policy makers will have an eye on the price of oil, which continues to drive higher on geopolitical tensions. Energy (a sector largely avoided in model portfolios) was the best performing sector in March.

Equities posted solid gains in March, with US equities reaching double digits for the quarter, which, if history is to go by, sets the asset class up well for the remainder of the year. The t and fro in fixed income markets continued, with the asset class rallying into the quarter end. Whilst we are to expect less cuts this year, policy makers are preparing investors for an easing in headline interest rates. As a result, small cap equities outperformed their large cap counterparts in March, highlighting a broadening of equity market returns, something we have exposure to largely through the sustainable and impact aligned holdings. A move lower in interest rates is pivotal for small and mid-sized companies, as well as interest rate sensitive sectors such as infrastructure and property.

The UK's budget, whilst delivering an easing in the tax burden for individuals faced some criticism for not helping out struggling businesses, particularly the hospitality sector. The UK, alongside other governments, is in focus given the deficits that are being run and the mounting debt payments. We do expect investors to demand higher returns for holding long dated debt, which has the potential to spoil over into a scenario akin to the 1980's. Moving forward, we will be taking opportune moments to add to fixed income duration, but our preference is to remain around the 4–5-year mark.

India's economic growth numbers were strong, whilst China, not wanting to be left behind, set its annual growth target at around 5%, raising expectations for stimulus to lift economic activity given the more muted progress in consumption. Given where valuations had moved to, we reduced some of our Indian equity exposure at the last rebalance (October 23) in favour of some select Chinese exposure, hoping to tap into the prospect of government stimulus and depressed valuations. In recent weeks, we have begun to see this move pay off. Japan stole the headlines in March, ending their era of negative interest rates. Japanese equities have been a standout performer in the first quarter, surpassing levels not seen since the previous peak in 1989.

The EU is preparing to levy tariffs on grain imports from Russia and Belarus to placate farmers and some member states, the first restriction on food products since the invasion began. Brussels has long resisted pressure to do so arguing it could disrupt global food markets and hurt developing nations. This, alongside the catastrophic bridge collapse in Baltimore, once again highlighted the fragility in certain global supply chains, with shipping costs potentially rising as bottlenecks develop.

### **Model Portfolio transactions in the month:**

There were no adjustments to portfolios during the month, but we are likely to make some changes in the coming weeks.

### **Performance:**

<b>Funds MPS</b>	<b>Mar 2024</b>
<b>Defensive</b>	<b>1.63%</b>
<b>Cautious</b>	<b>1.93%</b>
<b>Income</b>	<b>2.00%</b>
<b>Balanced</b>	<b>1.97%</b>
<b>Balanced Growth</b>	<b>1.97%</b>
<b>Growth</b>	<b>2.20%</b>
<b>Adventurous</b>	<b>2.55%</b>

### **MPS Stock pick feature:**

**Hoya** is a manufacturer of eyeglass lenses, contact lenses, and intraocular lenses for cataract operations, supporting healthy and improved vision care for a multitude of people worldwide. It also operates as a producer of glass disks for hard drives and mask blanks for the semiconductor market. Globally, nearly 2.2 billion people have vision impairment or blindness, yet over 1 billion of these cases could have been avoided with early detection and treatment. Studies estimate that 50% of the global population will have myopia (near-sightedness) by 2050, an area Hoya are positioned to benefit from. Hoya's MiYOSMART child-friendly lens is circa 60% more effective at slowing down myopia than standard vision lenses, and since 2018, Hoya have sold more than four million pairs of glasses in over 30 different countries. In 2021, Hoya partnered with Orbis International, a global non-profit organisation dedicated to saving eyesight worldwide, to help bridge the vision care gap around the globe. The partnership provides communities around the world access to sight-saving interventions, increases eye-health literacy & education, and boosts school children's access to eyecare in low and middle-income countries.

### **Fund House Meetings:**

We were once again very active with our interactions and engagements with fund houses during the month, meeting managers and representatives from M&G, T-Rowe Price, Kempen, Schroders, Franklin Templeton, Aubrey Capital, Liontrust, BNY Mellon, Stewart Investors, and RBC BlueBay.

## Ethical News

**England's fastest-declining mammal, the water vole, is among thousands of species set to benefit from a £25m scheme to restore "critical" habitats.** The government funding will be used to improve more than 3,300 hectares vital for "iconic" wildlife, also including butterflies, otters and dragonflies. The government said the scheme would help it meet its target to protect 30% of land for nature by 2030, but conservation groups warned the fund is "only a fraction" of what is needed. The money, from the National Lottery Heritage Fund, will go to 20 conservation projects across England, including the creation of 49 hectares of wetland around chalk river habitats in Hertfordshire and Middlesex. In a similar vein conservationists are celebrating a record year for a rare wetlands bird at a West Yorkshire nature park. The RSPB said 2023 saw a surge in breeding pairs of Black-necked grebes, with 30% of the UK population living at St Aidan's Nature Park near Leeds. Black-necked grebes are one of the rarest breeding birds in the UK, the RSPB says, and are distinctive for their tufts of golden feathers and red eyes.

**Manchester City have submitted plans for a project they believe would make them one of the largest producers of renewable power in world football.** In a first for a Premier League club, the plans would see nearly 11,000 solar panels installed at City's training complex and the Joie Stadium, home to their women's and academy teams. Their director of sustainability, Pete Bradshaw, said the plans would "completely offset the power required to run the day-to-day operations of the City Football Academy". City would follow Ajax, Galatasaray and Plymouth Argyle in producing their own clean energy, but the number of panels and potential for power generation means the project would be larger than that at Galatasaray's stadium in Istanbul. The planning permission is expected to be a formality and City are optimistic that the installation would be approved and in place before the end of the year.

**Tesco**, the UK's leading supermarket and **NatWest**, the largest UK bank for business and one of the largest for the farming sector, have launched a new incentivised climate and sustainable finance scheme for 1,500 of the retailer's farmers, providing them with preferential rates on finance to help them switch to sustainable farming methods, including installing renewable energy sources, such as solar panels and wind turbines, and fossil fuel-free heating or cooling systems, such as heat pumps. Tesco has set up a series of Sustainable Farming Groups so far, including for milk, cheese, beef and lamb. The first group was set up in 2007 to support dairy farmers during periods of economic uncertainty. Led by its suppliers, farmers and Tesco colleagues, the groups drive improvements in efficiency, environmental performance, including carbon foot-printing, and farm animal welfare. Should the scheme prove popular, there is potential for it to be made available to more of Tesco's farmers in the future.

**As part of a commitment to reduce its environmental impact and build a sustainable future for children, the LEGO Group has entered a \$2.4 million agreement with pioneering high-quality carbon-removal company Climeworks**, as it continues to utilise a broad portfolio of initiatives to progress towards net-zero carbon emissions. The agreement is for the permanent removal of hard-to-abate CO<sub>2</sub> emissions from the air with Climeworks' direct air capture and storage (DAC+S) solution and is designed to help Climeworks accelerate its technology scale up. KIRKBI, the family-owned holding and investment company of the LEGO brand, has also signed a \$405,000 long-term agreement to procure Climeworks' DAC+S carbon removal services.

In good news for steelmakers looking to massively shrink their carbon footprint, the **Bill Gates-backed startup Electra says it can now make emissions-free iron** without melting ore on

commercial-sized prototypes. Steel accounts for 7% of global carbon-dioxide emissions each year. More than 90% of its emissions come from the first step of its production process, which involves treating iron ore with something – typically coal – to remove oxygen, leaving only iron behind. Electra's process relies on hydrogen and it's developed a process to separate oxygen from iron oxide at much cooler temperatures than typical production methods.

### **Winners & Losers**

Winning this month was Cranfield University in Surrey, securing the largest financial injection for research that the University has received. The £69 million investment is creating the Cranfield Hydrogen Integration Incubator (CH2i) to spearhead the research and development of the first major hydrogen technology hub to demonstrate the potential of hydrogen as a net zero aviation fuel. £23 million comes from Research England, with a further £46 million committed from industry partners and academic institutions.

Losing this month was Dan Dafydd, the owner of Sinclair General Stores on the Orkney island of Sanday. Mr Dafydd mixed up his order for Easter Eggs, and instead of receiving 80 eggs for the island shop, he received 80 cases, a total of 720 eggs, for an island population of about 500 people. Something good did come out of it though - the RNLI, through a fundraising idea thought up by the store to help shift the extra goodies, with the proceeds going to the charity.

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