

# EVERYTHING ETHICAL MONTHLY NEWSLETTER

## Everything Ethical Newsletter – May 2024

Sign up to our emailing list to receive directly into your inbox every month.

### Market Commentary

Markets had a strong start to the month with both equities and fixed income performing well after the weakness experienced in April. Expectations continued to build for a rate cut by the European Central Bank (ECB) in June, whilst the Bank of England (BoE) was pushed back following stronger than expected inflation data. This was solidified by the calling of the election, meaning they will have to wait until after for political reasons. US inflation data continued to fall in line with expectations which pushed markets higher, alongside economic weaknesses becoming more prevalent.

Earnings reports from retailers suggested interest rate pressures are delaying larger purchases by consumers who are becoming increasingly price conscious, looking to shop down and wait for discounts. Data also suggested that in the US more people are working second jobs, more people are using buy now pay later schemes, and more people are drawing on pensions earlier. Cracks are beginning to show.

The end of the month saw a reversal of some of these gains, as a broader risk-averse sentiment took hold of the markets. There were several drivers behind this, one being geopolitics that so often dictates sentiment at the moment. Uncertainties in the Middle East were increased following the death of the Iranian President, which was shortly followed by the death of an Egyptian soldier in a clash with Israeli troops, and a devastating Israeli strike on a camp for displaced Palestinians. Oil and commodities grabbed attention as tensions rose.

Another driver was the US treasury market, with rising bond yields across the curve following a disappointing sale putting pressure on risk assets. The weakness put concerns over deficits back into the spotlight, with investors demanding a higher return for longer-dated debt. This is a concern we have highlighted several times and why we remain to the shorter-end in our fixed-income duration.

There was a particular focus on solar stocks in May following developments in the Chinese solar industry, where the China Photovoltaic Industry Association took steps to address issues around malicious low-price competition. This has impacted many manufactures outside of China, resulting in tariffs from 25% to 50% in the US market as Chinese operators created overcapacity. First Solar, a US manufacturer held in a number of funds, saw its share price rise 54.15% in the month.

Solar, alongside other renewable subsectors, had been under pressure in the higher rate environment, which coupled with inflationary pressures and Chinese dumping of solar products had weighed on earnings. This has marked a near term shift in some of the pressures

for developed market manufacturers, and we do expect other peers within the sector to continue their recovery, particularly when we begin to see an easing in monetary policy.

On the flipside of this, portfolios healthcare exposure has continued April's weakness and dragged on performance. General push back on rate cut expectations in the US and UK has been a negative for the small and mid-cap exposure, however the view is that this only creates buying opportunities given the attractive valuation of the sector.

### Model Portfolio transactions in the month:

There were no changes to portfolios during the month.

### Performance:

Funds MPS	May 2024
Defensive	1.13%
Cautious	1.19%
Income	2.35%
Balanced	1.14%
Balanced Growth	1.16%
Growth	1.06%
Adventurous	0.62%

### MPS Stock pick feature:

**Kardex** is a global industry partner for intralogistics solutions and a leading supplier of automated storage solutions and material handling systems. Kardex's solutions significantly shorten walking distances, reduce space requirements by up to 84%, and optimise use of space volumes. This conserves the scarce resource of land and, in addition, Kardex helps its customers to save energy. The companies supply chain is working to reduce energy consumption during production and transport routes, where necessary building new production facilities closer to its client base to shorten transport routes, as opposed to lengthy sea transport.

### 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 Nordea, Rathbones, T Rowe Price, Vanguard, Sarasin, & Guinness (the Asset Mgmt. Co, not the beverage).

### Ethical News

The UK's fastest, most powerful, and greenest supercomputer was switched on for the first time in May. **Located at the University of Bristol, the Isambard 3**, will hopefully revolutionise research possibilities in the UK, from AI safety to healthcare (accelerating drug discovery) and climate research. The facility will be used by a wide range of organisations from across the UK to utilise the power of AI. To bring its power to life Professor Simon McIntosh-Smith, Director of the Bristol Centre for Supercomputing at the University of Bristol



explained “Assuming there are eight billion people on earth, and everyone performed one calculation per second, it would take 2.3 years for all eight billion people, working 24/7, 365-days a year, to do what Isambard-AI phase one could do in one second.

The sustainability of UK fish stocks will be better safeguarded through the use of technology to monitor and manage fishing activity in English waters, the government announced during the month. **The technology – known as Remote Electronic Monitoring (REM)** – involves using camera, gear sensors and GPS units to make sure that catches are accurately recorded and fish are not unlawfully thrown back into the sea. The data captured will support the fishing industry to manage stocks sustainably and give retailers and consumers greater confidence about the sustainability of our fish. Volunteers within five priority fisheries will begin to use REM systems from this summer, with their work helping to refine the UK’s monitoring objectives and ensure the technology works for fishers.

**Forestry England is preparing to rewild more than 8,000 hectares of its land** across four of the nation’s forests, in a bid to experiment with a more hands-off approach to forestry management which it hopes can better support wildlife and biodiversity, the agency announced during May. The biggest new wild area is set to span at least 6,000 hectares in the Kielder Forest in Northumberland, where the agency said it aims to restore a fully-functioning upland ecosystem expanding native woodland and scrub to create more open habitats.

**The heavy downpours seen in the UK and Ireland last autumn and winter were about 20% worse because of climate change**, a new scientific report found. The region saw as many as 14 severe storms between October and March, flooding almost 7,000 homes and businesses, killing at least 13 people, damaging crops and causing power cuts. The World Weather Attribution group said that rainfall in these storms was 20% more intense than it would have been if the world hadn’t already warmed by 1.2C since pre-industrial times. It was the second wettest storm season in the UK since records began, the report said.

**UK retailer Boots and No7 Beauty Company** have teamed up with carbon reduction platform Manufacture 2030, in a bid to speed up their move towards net zero. Boots is the first health and beauty retailer to partner with the carbon-cutting firm that helps suppliers and manufacturers measure, manage and reduce carbon emissions.

Finally, Keir Starmer has promised a Labour government will get working on building clean power across the UK “within months” through its proposed new publicly owned energy company, should the party emerge victorious at the General Election in July. **Great British Energy** will be headquartered in Scotland, and will invest in clean energy across the UK, making the nation a world leader in floating offshore wind, nuclear power, and hydrogen.

### **Winners & Losers**

**Losing this month are fossil fuel companies and their respective marketing departments.** Edinburgh City Council has now banned adverts for fossil fuel firms, airlines and SUVs amid concerns they undermine efforts to cut emissions. Sheffield, Cambridgeshire, Coventry and Somerset have previously implemented similar measure. Now the UN Secretary General, Antonio Guterres has called for adverts for fossil fuel companies to be banned to prevent “climate hell”, branding oil and gas companies the “godfathers of climate chaos”.

**We have joint winners this month – Austria and Wales**, as they both lead the way with the highest recycling rate for household waste worldwide, according to a study by Eunomia Research and Consulting collaborating with Reloop. The research reveals they both recycled 59% of their household or municipal waste collected last year. Northern Ireland achieved a

45% recycling rate, England 44% and Scotland 39%. *The study was partly funded by TOMRA, a recycling tech specialist that is held in some of the funds we invest in.*

### **Disclaimer**

Please remember that the value of investments and the income arising from them may fall as well as rise and is not guaranteed. All information contained in this document has been prepared by King & Shaxson Asset Management. All opinions and estimates constitute our judgement as of the date of publication and do not constitute general or specific investment advice. Nothing in this document constitutes an offer to buy or sell securities of any type or should be construed as an offer or the solicitation of an offer to purchase or subscribe or sell any investment or to engage in any other transaction. The information contained in this document is for general information purposes only and should not be considered a personal recommendation or specific investment advice.

King and Shaxson Asset Management Ltd.(Reg. No. 3870667) has its registered office at 155 Fenchurch Street, London, EC3M 6AL. The Company is registered in England and Wales and is part of the PhillipCapital Group. King and Shaxson Asset Management Ltd. (FCA Reg. No. 823315) is authorised and regulated by the Financial Conduct Authority, 12 Endeavour Square, London, E20 1JN.