

EVERYTHING ETHICAL MONTHLY NEWSLETTER

Everything Ethical Newsletter – November 2023

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Market Commentary

November saw a dramatic shift in market narrative, with a strong consensus forming throughout that central banks will cut interest rates more aggressively than was priced in at the end of last month. This has been driven by continuing falls in inflation numbers, alongside a weakening in economic data and comments from companies pointing to a slowing economy and a weakening consumer. Whilst we remain wary of the risks to this narrative continuing, we begin to feel that the worm is starting to turn after what has been a bruising couple of years for portfolios.

The fall in yields (UK 10-year has fallen over 33 basis points) that has resulted from this change in narrative has led to strong performance across asset classes. Bonds have been on an unprecedented streak, with a US bond index having the highest return for a single month since 1985. We continue to favour portfolio positioning a bit shorter, around the 5-year mark, which has allowed us to benefit from this rally in bonds whilst also maintaining caution over the supply outweighing demand dynamic we see coming to the fore.

As we have commented upon extensively, our property and infrastructure holdings have been amongst the biggest sufferers in a rising yield environment, particularly since Liz Truss' mini-budget last year. As we expected, and why we maintained our exposure despite the pain, these asset classes have had a very strong month amongst the fall in yields. November has seen a Sustainable Real Estate Fund rise by 9% and a UK infrastructure fund rise by 7.79%. Holdings within both asset classes continue to trade at large discounts to their Net Asset Values (NAV) and we see further upside to come.

Renewable Energy is a sector that has been particularly beaten up as both inflation and the cost of financing rose. We have been buying into the weakness over the last six months, in anticipation of this change in market dynamics. In hindsight, we began doing so too early because at past investment committees the consensus was that we expected yields to fall sooner than what has actually transpired. We have also seen encouraging comments from companies and positive momentum in order books. Oil prices have been falling, and the spotlight is once more shifting away from Oil & Gas stocks, which have been loved by investors over the last 2 years, back to renewable energy stocks who will be providing the energy sources of the future. November saw a clean energy index rise by 5.51% and an Oil & Gas index fall by 2.61%.

It is not just renewables that have posted large gains, with equity markets broadly posting strong returns. The breadth of returns has also continued to improve, with markets no longer being driven by a few large companies, most notably the 'Magnificent 7'. Mid-cap companies

have performed well, an area we have been monitoring and adding to given valuations have been at their most compelling levels in decades. Given our positive focus, portfolios naturally have exposure here and will see benefits from the rotation, as we have begun to see this month.

Model Portfolio transactions in the month:

There were no changes to portfolios during the month.

Performance:

Funds MPS	Nov 23
Defensive	3.51%
Cautious	4.37%
Income	5.57%
Balanced	4.53%
Balanced Growth	5.01%
Growth	5.22%
Adventurous	5.33%

MPS Stock pick feature:

Quanta Services Inc is a leading speciality infrastructure solutions provider for the utility, renewable energy, communication and energy industries. With over 70% of their revenues coming from utilities and renewable energy developers, Quanta are facilitating efficient and safe delivery of clean energy and the migration towards a reduced-carbon economy. They are also leading the way in expanding renewable generation capacity in the US. They have a partnership with General Motors to incorporate a significant number of all electric Chevrolet Silverado vehicles into their fleet.

In 2023, Quanta operating companies were awarded the construction of SunZia Southwest Transmission Project, a 550-mile, \pm 525 kV high-voltage direct current (HVDC) transmission line located across federal, state, and private lands between central New Mexico and south-central Arizona, with the capacity to transport 3,000 MW of renewable energy.⁸ The SunZia Transmission line will be the conduit for the largest wind project in U.S. history, a 3,500+ MW SunZia Wind facility in New Mexico. Combined, the SunZia wind and transmission projects represent the largest clean energy infrastructure project in U.S. history, enough to power the needs of more than 3 million Americans. In addition, the project stands to deliver widespread economic benefits across New Mexico and Arizona, with an estimated investment of over \$8 billion, with significant amounts going to governments, communities, schools, and landowners across New Mexico and Arizona.

Fund House Meetings:

In November, again we were extremely active in our interactions and engagements with Fund providers:

We met and discussed fund opportunities with Abrdn, Fidelity, Redwheel (a new healthcare fund), Gravis (market update), Foresight (company update following a staffing restructure), Regnan (3rd year anniversary of their Impact fund) & Liontrust (general fund update).

We also met with the head of UK Responsible Investment at one Fund Management firm, this was after discovering a holding in one of their funds that went against their ethical screen for animal testing. Upon our interaction and engagement, they acknowledged their screening services had not highlighted this one stock. As a result, they put further measures in place and promised to exit the investment in a reasonable time period (post meeting we were informed the process has started).

Ethical News

More than 70,000 politicians, diplomats, campaigners, financiers and business leaders will go to Dubai to talk about arresting the world's slide toward environmental catastrophe at **COP28**. The need for progress has never been more urgent: 2023 will almost certainly be the hottest year on record, greenhouse gas emissions are still rising and promises to cut pollution remain insufficient to take the risk of unmanageable warming off the table. At the same time, rapid inflation and global instability – including wars in Ukraine and Gaza – have scrambled the politics and economics of the energy transition.

"This is a very sobering, even sombre moment as world leaders gather," said Rachel Cleetus, policy director with the climate program at the Union of Concerned Scientists in Massachusetts. "That said, there's a real opportunity in the climate space to secure some wins." The event started on Thursday 30th November and will run to Tuesday 12th December.

Richard Branson and his Virgin Atlantic franchise participated in the first flight of a commercial aircraft across the Atlantic powered entirely by sustainable aviation fuel (SAF), beating arch-rival British Airways to the punch. SAF fuels are made from sources including waste oils and non-food crops and are widely seen as the only realistic short-term mechanism for the aviation industry to meet its sustainability goals.

During the month, **Co-op**, one of the world's largest consumer co-operatives, and **Voltalia**, an international player in renewable energies, jointly announced the signing of a 15-year Corporate Power Purchasing Agreement for the entire output of the 34MW Eastgate solar farm, located near Scarborough, in North Yorkshire. Under this agreement, Co-op will source electricity for its estate, including food stores, distribution centres and Funeralcare homes right across the UK, over a 15-year period.

SSE Energy Solutions is to build its first fully electric charging hub for HGVs at Tyseley Energy Park in Birmingham. The hub will accommodate up to 4 electric HGVs at a time and house powerful 360kw chargers capable of dispensing up to 300 kilometres of charge within 1-2 hours. The charging hub at the site will include a canopy which is to be formed from a combination of galvanised steel and sustainable timber and will incorporate a rainwater harvesting system to capture surface rainwater and irrigate a living green wall within the site. This means a living habitat for insects, bees, birds and bats.

The UK government raised its price support for building offshore windfarms by 66%, in a bid to revive its renewables push by attracting developers after they shunned a previous auction. The ceiling for bids in next year's auction has now been raised to £73 of guaranteed revenue per mwh of power-generated, a steep rise from the £44 per mwh for the last failed auction. Offshore wind will also be given a separate funding pot to other technologies because of the high number of projects able to compete. "**Bringing more green energy onto the**

system is the single most important thing we can do to cut customers' bills and strengthen our energy security," said the CEO of Iberdrola's Scottish Power.

British Gas is offering electric vehicle (EV) drivers a year's worth of free charging if they install one of its Hive home chargers. Customers will benefit from up to 8,000 miles of free EV charging, within a 12-month period, capped at 2,290kWh. The offer is available to new and existing British Gas electricity customers who have a smart meter and purchase one of Hive's EV Chargers. Customers don't need a specific tariff and chargers can be ordered with or without installation by British Gas, either through Hive or one of its partners

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