

# EVERYTHING ETHICAL MONTHLY NEWSLETTER

## Everything Ethical Newsletter – October 2023

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### Market Commentary

The market has been positioning for higher for longer in respect to interest rates, with cuts being pushed further down the road. Since then, there have been a number of developments which have consolidated this view. Aside from the housing market, economic data points to an economy that is remaining strong, in particular the US labour market. There have also arisen new risks in the Middle East, a truly devastating situation that needs no further comment here. The impact on global financial markets has so far been minimal, but the risk of wider escalation has the potential to do so. As a leading Wall Street CEO recently commented, “this may be the most dangerous time the world has seen in decades”.

We are of the view that the rate hiking cycle has peaked, particularly in Europe and the UK. European inflation numbers released at the end of the month showed meaningful falls, and commentary from the Central Bank suggest they are at the peak. We have also seen this from bank earnings, where many have warned that net-interest income is expected to drop next year after a year of benefitting from rate hikes. Given this rationale, we have seen value in shorter-duration fixed-income and have increased exposure to this, at the expense of more interest rate sensitive asset classes. We remain concerned on longer-duration yields given the supply and demand dynamics as central banks continue with quantitative tightening and government deficits continue to grow.

We are seeing signs of capitulation in various subsectors we are exposed to, particularly renewable energy. We see the continued weakness as opportunities to buy given the longer-term investment thesis (please see recent comments). We increased exposure to clean energy in the month, although the focus was on better capitalised names given the headwinds of higher rates.

Given sentiment, we have looked to increase exposure to larger-cap equities, to complement the more disruptive and solutions-based companies within portfolios. Large-cap companies are better capitalised and have a more diversified and global footprint, which will build some resilience into the portfolios. A sector that has been of interest is healthcare, where the larger-cap companies have also disappointed alongside smaller-cap. We see a compelling investment case in some of these names. As a result, equity exposure moved higher over the month.

October also saw a wave of company reporting which gave investors further data and information to digest. The slowdown in global growth is beginning to take hold, with industrial companies such as ABB (focused on electrification and automation) seeing earnings lower than expected due to weakness in Europe and China. Companies in this sector have

benefitted from full order backlogs that have built up since Covid, but these are now starting to normalise as the economic backdrop gets tougher. On the flip side, several consumer facing companies have reported better than was expected as consumers continue to be resilient in the face of higher interest rates because of rising salaries. We anticipate this to start pivoting as the labour market continues to soften in the UK and Europe, and will eventually start to in the US.

### Model Portfolio transactions in the month:

We rebalanced the portfolios in mid-October, details are included in the full body of the email.

### Performance:

Funds MPS	Oct 23
Defensive	-1.76%
Cautious	-3.15%
Income	-3.15%
Balanced	-3.68%
Balanced Growth	-4.36%
Growth	-4.98%
Adventurous	-5.85%

### MPS Stock pick feature:

**Dexcom** is a leader of diabetes care technology. They have spent the last 20 years innovating and developing simpler and better ways for people with type 1 diabetes to measure, track and manage their diabetes. Until recently the only way to know your glucose levels was to prick your finger, which is still practised by many people with diabetes today. Whilst finger pricking is able to measure your current glucose level at the time, it can't predict where your glucose levels are heading or how quickly. So, you end up having to finger prick again and again to try and build up a picture. Continuous glucose monitoring (CGM) systems, such as the Dexcom CGM System, measure glucose levels every 5 minutes, letting you see how your glucose levels are changing over time, and allows you to predict what they'll do next – without finger pricks or scanning.

### Fund House Meetings:

This month we were extremely active in our interactions and engagements with Fund providers:

Leading up to the portfolio rebalance we had further meetings with Polar Capital & Premier Miton to finalise our decision about inclusion of their funds into portfolios (having spoken to RM & RobecoSAM in September).

We also met and discussed fund opportunities with Aegon, M&G (new nature focussed fund), Schroders (US smaller companies), Aviva Investors & RBC BlueBay. On a macro front we had a very good meeting with Royal London AM, to exchange opinions over market direction

for interest rates, and the feed through to bond and gilt prices. We also had meetings with Pictet, T Rowe Price, and a specialist ESG provider of ETFs to further our knowledge in this growing area.

### Ethical News

**WRAP is a climate action NGO working around the globe to tackle the causes of the climate crisis and give the planet a sustainable future.** Their annual UK Surplus Food Redistribution data indicates solid progress in 2022 with approximately 170,000 tonnes of surplus food being received by redistribution organisations, equating to 400 million meals with a value of more than £590 million. Preventing food waste at source should always be the priority, however redistributing surplus food is one way that businesses can reduce the amount of food that ends up as waste.

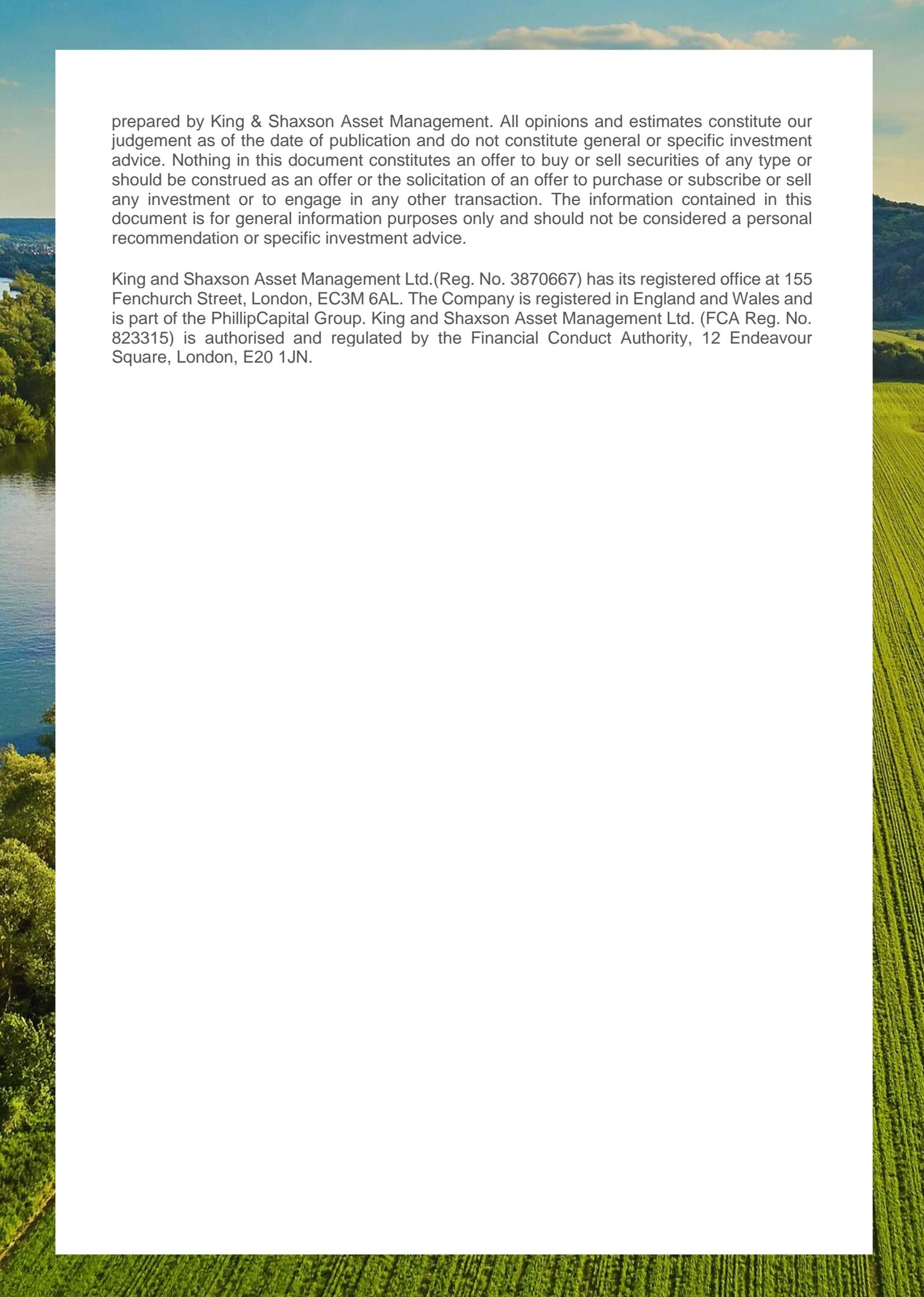
**The IEA has once again trimmed its global gas demand outlook through 2040 as renewables takes up a greater share of the energy mix.** This, coupled with lower demand for Russian gas, will see gas demand peak in all forecasts by 2030. Europe accounts for around 75% of the revision to gas demand given their push for renewable assets alongside gas savings from industries and households as the cost of energy has spiralled following Russia's invasion of Ukraine. Nonetheless, energy security still remains a concern, with energy majors in Europe signing 27-year gas deals with Qatar to supply major economies in Europe beyond 2050.

**Dogger Bank is now connected to Britain's national grid and has started exporting electricity for the first time to British homes and businesses.** This is a major milestone in the development of the industry and the transition to a cleaner, more secure energy system. The 3.6 GW Dogger Bank Wind Farm is being constructed in UK waters 130km off the coast of Yorkshire and in the UK's North Sea in three 1.2 GW phases known as Dogger Bank A, B and C. The first turbine at Dogger Bank A has started turning and producing electricity. Power from the offshore wind farm is now being transmitted to the UK's national grid via Dogger Bank's high-voltage direct current (HVDC) transmission system, marking the first-time use of HVDC technology on a UK wind farm. First power followed the installation of the first of GE Vernova's Haliade-X 13 MW turbines, one of the largest and most powerful globally, at the Dogger Bank site. This is the first time Haliade-X units have been energised offshore anywhere in the world. **Each rotation of the 107m long blades can produce enough energy to power an average British home for two days.**

**Suntory Beverage & Food (SBF GB&I)** the proud producer of Ribena, has unveiled a research project to reduce greenhouse gas emissions from the growing of blackcurrants through regenerative farming practices. The ambitious project, in collaboration with the University of East Anglia, SBF GB&I, Suntory Holdings Limited and Soil Ecology Laboratory will take place across much of the 60 hectares of blackcurrant production at Gorgate Farm in Norfolk, which has been growing blackcurrants for Ribena since the 1950s. As part of Suntory Group's overall ambition to support crop resilience and reduce carbon emissions from its supply chain, this project aims to reduce scope 3 greenhouse gas emissions from blackcurrant production and improve soil health so that it can support plant resilience and increase the amount of carbon it can sequester.

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