

# EVERYTHING ETHICAL MONTHLY NEWSLETTER

## Everything Ethical Newsletter – April 2024

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

### Market Commentary

April saw a continuing divergence in central bank expectations either side of the Atlantic. In Europe and the UK, it increasingly appears as though policy is moving towards a summer rate cut, with many pointing to June meetings. The Governor of the Bank of England (BoE) alluded to this himself, saying that the region faced less of an inflation threat than the US. April even saw talk of rate hikes by the Federal Reserve (Fed) being back on the table by several analysts, although this has subsequently been played down by the policymakers themselves. Geopolitics continues to play a risk to the falling trend in inflation, with energy prices moving higher amidst Russian gains in Ukraine alongside an unprecedented attack by Iran on Israel. Core commodities such as Aluminium and Nickel also surged following US and UK sanctions on Russia.

This month saw earnings season kick off once again, with companies providing updates on how they fared in the first three months of 2024. Equity markets on the whole were negative for the month, knocked by some of these updates alongside the more hawkish Fed expectations and a decline in risk appetite. The big banks were weaker than expected, whilst big tech and luxury goods sectors also sold off during the month. Consumer resilience does remain however with many retailers noting strength amidst falling costs, whilst healthcare continues to be a sector that goes from strength to strength. Novo-Nordisk now has a market-cap larger than the whole economy of Denmark on the back of continued success in their obesity drugs.

During the month we conducted a rebalance and have left the headline equity allocation of portfolios largely unchanged, but there have been a number of changes within the underlying funds. Given the push back in rate expectations, and considering the growth/mid-cap exposure in portfolios, we have brought in a sustainable value fund, which will provide diversification and exposure to lower duration equities. This fund now sits in what we would classify as a core holding. With the UK looking cheap, but also continuing our desire to build out the larger-cap exposure, we slightly increased our exposure to UK income equities across the board. Whilst the base case is for interest rate cuts, the changes have been made to provide some cushion if we do not see this materialise. Portfolios still have exposure to companies that will benefit from a rate cutting environment, and the October 23 pivot is a reflection of this.

With the Indian growth story rumbling on, the Indian equity market has been one of the better performing developing nations. Our portfolios have always been tilted more towards India, with a large underweight (if comparing to a standard EM index) to China. Given the weak growth story, Chinese equities have suffered and diverged from India. As a result, we have rotated an element of our developing market exposure to select Chinese equities.

Fixed income was negative in the month with yields moving slightly higher. We expect the BoE and European Central Bank to move rates lower, and we have viewed the weakness as opportunity to deploy cash. Whilst we remain of the view that we do not want to extend duration too much, particularly in such an eventful political year, we increased exposure to higher quality government debt, adding to portfolios duration slightly.

### Negative Screen – UK Large Cap Performance

You may well have read during the month that the main UK large cap equity index reached a record high during April. It is important to note, this should not be seen as a comparator versus your portfolio with King & Shaxson. As much as a 1/3 of the index constituents would get omitted via our stringent negative screen. This will include companies with large involvement in fossil fuel extraction, arms production or alcohol production, to name a few areas. A reminder of our Negative and Positive screen can be found by [clicking here](#).

### Model Portfolio transactions in the month:

As mention above, we made some changes and rebalanced the portfolios in April, IMC minutes and details of the changes can be found on the PDF attached to this email.

### Performance:

Funds MPS	April 2024
Defensive	-1.13%
Cautious	-1.68%
Income	-0.68%
Balanced	-1.74%
Balanced Growth	-1.89%
Growth	-2.20%
Adventurous	-2.40%

### MPS Stock pick feature:

**Spectris** harnesses the power of precision measurement to equip their customers to make the world cleaner, healthier and more productive. Through a combination of their hardware, analytical and simulation software, Spectris provide their customers with superior data and insights that enable them to work faster, smarter and more efficiently to reduce manufacturing time for their products. In attempting to deliver sustainable solutions to current challenges in energy storage and conversion, they recognise the need for better batteries and fuel cells. Using the services of Spectris, a unique collaboration in the US between University of Pittsburgh's Kumta Lab, and Malvern Panalytical, is allowing researchers to see inside energy storage and conversion systems while they operate to identify where changes are needed, and at the same time develop new materials to enhance performance. This collaboration is working towards, amongst other targets, a 400% growth in the watts per hour per kg a rechargeable battery delivers, a 300% increase in the miles an electric car can travel between charges, and a 100% reduction in the volume of precious metals used in water electrolysis



and hydrogen fuel cells. The University of Pittsburgh has aspirations to “create a battery pack system that can be charged or recharged on a continuous basis using wind & solar power, for example, a car that charges while you drive – eliminating the current reliance on carbon and fossil fuels almost entirely.”

### **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 Columbia Threadneedle, Foresight Group, Lombard Odier, RM, Schroders, Marlborough, Polar Capital, Vontobel, Rathbones & Royal London.

We also attended a presentation from M&G to mark World Earth Day, where we heard from two M&G Fund Managers, as well as their head of Impact Investing. Items discussed included an update on progress in delivery of the ambitions of the UN Sustainable Development Goals, the circular economy and social inclusion.

### **Ethical News**

**Network Rail** announced the start of its five-year, £45.4bn rail improvement plan aimed at delivering a simpler, better, greener railway. They aim to provide the best level of train performance possible that’s more geared-up than ever before to cope with the extremes of climate change. Over the five years to 2029, Network Rail will invest around £2.8bn in activities and technology that will help it better cope with extreme weather and climate change, which will help deliver a more reliable and better performing railway.

**The global wind industry installed a record 117GW of new capacity in 2023**, making it the best year ever for new wind energy, according to the Global Wind Report from the Global Wind Energy Council. The report finds the wind industry is entering a new era of accelerated growth driven by increased political ambition, manifested in the historic COP28 adoption of a target to triple renewable energy by 2030. Looking forward, the report makes it clear that there is plenty to do to deliver on the increased ambition. The wind industry must roughly triple its annual growth from a level of 117GW in 2023 to at least 320GW by 2030 to meet the COP28 targets, and steer us back on to the 1.5-degree pathway.

**The price of bread, biscuits and beer could be at risk of rising as a result of months of wet weather in the UK**, a report from The Energy & Climate Intelligence Unit has suggested. Harvests of crops including wheat, barley and oats may fall by more than 17% this year compared to 2023. The UK has had one of the wettest winters on record and there has been a soggy start to spring in many parts of the country. (Albeit I am currently typing this surrounded by sunny blue skies).

A single truck in Europe burns through 450,000 litres of fuel during its lifetime, the same as 30 cars. Today 97.2% of Heavy-Duty Vehicle sales are diesel, which massively inflates the scope 3 emissions of vehicle manufacturers. A report from Transport and Environment, Europe’s leading NGO campaigning for cleaner transport, shows that 99.8% of a truck maker’s total emissions come from its scope 3. **From the 2024 financial year, all large EU companies, including truck makers, have to publicly disclose their scope 1,2 & 3 emissions, which could shock investors that are not aware of this.**

A new prize for fiction engaging with the climate crisis, **The Climate Fiction Prize, will be launched at this year’s Hay Festival (23rd May to 2nd June)**. The award, supported by storytelling organisation Climate Spring, will give £10,000 to the winner. The prize’s aim is described as being to showcase novels of powerful literary merit and to solidify, grow and

expand fiction that engages with the climate crisis. The founders are Leo Barasi, author of *The Climate Majority*, Rose Goddard, executive director at Wimbledon BookFest and former prize manager of the Women's Prize for Fiction, and Imran Khan, former head of public engagement at the Wellcome Trust.

### Winners & Losers

**Conservation programmes are winning** – In the first study of its kind, published in the journal *Science*, scientists from dozens of research institutes reviewed 665 trials of conservation measures, some from as far back as 1890, in different countries and oceans and across species types, and found they had had a positive effect in two out of every three cases. The success stories included deforestation rates falling 74% in the Congo Basin, following the introduction of management plans.

**Losing this month is Switzerland** - In a landmark decision on one of three major climate cases, the first such rulings by an international court, the European Court of Human Rights raised judicial pressure on governments to stop filling the atmosphere with gases that make extreme weather more violent. The court's top bench ruled that Switzerland had violated the rights of a group of older Swiss women, but threw out a French mayor's case against France and that of a group of young Portuguese people against 32 European countries. The court, which calls itself "the conscience of Europe", found that Switzerland had failed to comply with its duties to stop climate change. It also set out a path for organisations to bring further cases on behalf of applicants. **The Swiss verdict opens up all 46 members of the Council of Europe to similar cases in national courts that they are likely to lose.**

### 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.