

# BRIGHTER WORLD MPS MONTHLY NEWSLETTER

## Brighter World Newsletter – December 2024

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### Market Commentary

Market activity in the past few months has been driven by politics, and more specifically the re-election of Donald Trump. As we await his inauguration, the Federal Reserve (Fed) put monetary policy back in focus at their December meeting with hawkish comments that signalled the return of inflation concerns.

As was anticipated, the Fed cut interest rates by 0.25% for the third straight meeting but their outlook rocked markets. They indicated that they would probably only lower rates two times in 2025, according to the closely watched “dot plot”. This saw an index of the 500 largest US companies fall nearly 3% on the day, whilst an index of US small and mid-cap companies fell by over 4%. US equity weakness was followed around the world and global equities were broadly negative on the month. At the same time, US yields soared and the dollar strengthened, particularly against Asian and Emerging Market currencies.

As we have discussed at length previously, portfolios are naturally rate sensitive given their positive investment focus. Within this renewable energy is a particularly good example, given the effect of the cost of capital on its build-out, and this was shown again in the month with a clean energy ETF falling nearly 5%. Over the last few months, we have looked to increase larger-cap and more defensive exposure in portfolios, to increase their resilience amidst the higher for longer narrative.

UK long-term yields continued to rise during December and we remain shorter-duration in our fixed income exposure, which has been beneficial. At their meeting, the Bank of England left rates unchanged as expected, however it was seen as a dovish hold given 3 members voted for a cut. This increased chances for a cut at the next meeting, and we expect further steepening of the yield curve to come. Infrastructure holdings were under pressure once more as a consequence of the rising long-term yields. Portfolio allocation towards them has been reduced over the last couple of months in anticipation of this continued increase.

The Eurozone continues to be under significant pressure economically and politically. As expected, the central bank cut interest rates, and acknowledged that they will need to fall further in 2025 amidst expectations of lacklustre growth. In recent weeks French markets have been roiled by the former Prime Minister’s proposed deficit cutting budget that led to the Government being toppled, whilst in Germany the country awaits elections early in the new year. We continue to be negative towards Europe, but selectively positive on certain companies because of their global presence.

### Model Portfolio transactions in the month:

There were no changes to portfolios during December.

### Performance:

Brighter World MPS	December 2024
3	-1.35%
4	-1.78%
5	-2.26%
6	-2.44%
7	-2.72%
8	-2.42%
9	-2.30%

### MPS Stock pick feature:

#### **Hitachi Ltd (Electronic Solutions)**

Hitachi is a multinational conglomerate with presence in information technology, electronics, power systems, social infrastructure, industrial systems, and construction machinery. They manufacture communications and electronic equipment, heavy electrical and industrial machinery, and consumer electronics, their diverse product line ranges from nuclear power systems, to kitchen appliances. They drive social innovation business, creating a sustainable society with data and technology.

### Ethical News

**An insight from Ember in December showed that fossil generation in the EU continued to fall in the first half of 2024**, generating a record 30% of electricity from wind and solar, surpassing fossil fuels' 27% share for the first time. **The same release also showed that US renewables are also pushing certain fossil fuels out of the mix.** According to Ember's data, wind and solar provided a record 17% of US electricity from January to November of 2024, overtaking coal's 15% share for the first time. Even wind alone produced more electricity than coal in March and April, reaching 13-15% compared to coal's 11%. **Republican states Iowa & South Dakota leading the way in solar and wind generation.** Fellow Republican state Texas also hit a milestone in March when solar generated more electricity than coal for the first time.

In relation to the above the **UK's wind turbines have overtaken gas plants for the first time as the number one source of electricity**, representing 29% of the country's generation mix last year, with gas shrinking to just a quarter, according to data from the National Energy System Operator. The last time gas made up such a small share of generation in the UK was 2013, when coal dominated the system.

**Panasonic Manufacturing UK announced the official opening of Europe's first Panasonic HX demonstration facility to be powered by renewable sources, based in Cardiff.** As part of Panasonic's efforts to enable greener manufacturing, the 50-year-old manufacturing plant in Cardiff has been fitted with a combination of hydrogen fuel cells powered by green hydrogen, solar PV and battery storage, all steered by Panasonic's proprietary Energy Management System (EMS). Microwave oven production represents the

main electricity and overall energy need at the site; the Panasonic HX installation will power this microwave oven assembly using renewable energy.

In a groundbreaking advancement for sustainable river transport, **Uber Boat by Thames Clippers has announced that the UK's first fully electric zero-emission cross-river passenger ferry**, Orbit Clipper will launch in March 2025. Currently under construction at Wight Shipyard Co in East Cowes, Isle of Wight, this innovative vessel will provide an accessible, green and fast route across the Thames seven days a week, enabling over 20,000 Londoners and visitors to travel every weekday.

**Triodos Bank UK announced its first private sector loan based on a biodiversity net gain (BNG) unit model**, a landmark deal that could create a blueprint for financing nature-based solutions at scale. The loan has enabled environmental consultancy Nature Impact to purchase 70 acres of land on Rolvenden in Kent and another 52 acres in Wadhurst, East Sussex – two sites that offer huge potential to unlock underutilised and degraded farmland for BNG.

### Disclaimer

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