

# BRIGHTER WORLD MPS MONTHLY NEWSLETTER

## Brighter World Newsletter – February 2025

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### Market Commentary

Markets across the globe have been hanging on every word and action of US President Donald Trump since he took office at the end of January. Uncertainty creates volatility, and this is exactly what the President has created in his words and actions. With the unpredictable rhetoric on tariffs causing the most concern. It's becoming more apparent that he is using them as a negotiating tool, but his actions are significantly straining relations between countries and threatening global trade.

The new administration's stance towards Ukraine has certainly caused concern and taken many people by surprise. It has created some unity within Europe as they look to stand by Ukraine. There has already been a significant overhaul in attitudes towards spending substantial quantities on re-armament. The result of this is strong performance in European defence names, with a leading Aerospace & Defence index rising over 18% in February.

Our model portfolios do not have exposure to this sector due to the ethical screen in place. And despite the calls to classify it as 'ethical defensive spending', we will not undermine our client's ethics.

More defence requires more spending which will only increase fiscal strain and put pressure on longer-term bond yields. We therefore see no reason to change our view not wanting to add further duration risk to portfolios. Amidst all the political noise several central bank decisions were quickly forgotten about and moved on from. The Bank of England did cut interest rates as expected, at a vote of 7-2 which was also expected. However, the surprise was that the two who voted against the rate cut actually wanted a larger cut of 0.50%. In the US, Federal Reserve Chair Powell signalled patience before expecting further rate cuts. However, expectations for rate cuts ramped up at the end of the month and into the start of March as fears increased over the labour market and economy in the US.

As a result of the global trade and growth concerns, risk assets were under pressure during the month, with global equities declining, noticeably US growth which has previously been the main driver of global equity returns. Sustainable funds faced selling pressure in general across the cap scale, with many active funds declining around 4-5% for the month. Despite this, the Brighter World portfolios held up relatively well, with portfolios UK exposure supporting the core equity returns, with the Amundi MSCI UK SRI PAB ETF returning +1.56% for the month. On top of this, after several periods of lacklustre returns, the impact element of the core portfolios, through Xtrackers MSCI Global SDGS ETF, returned 0.37% for the month despite global equities declining. Outside of the core equity, there was weakness in the satellite

thematic allocation, particularly the Vaneck Semiconductor ETF and the JPM Climate Change Solutions ETF.

### Model Portfolio transactions in the month:

Portfolios were re-balanced earlier in the month where equity exposure was reduced closer to the neutral level. Expectations are for equity volatility to remain elevated given the current rhetoric coming out of the US, but this does present opportunities for us to increase exposure into any further weakness.

### Performance:

Brighter World MPS	February 2025
3	0.18%
4	-0.27%
5	-0.57%
6	-0.76%
7	-1.05%
8	-1.51%
9	-1.73%

### MPS Stock pick feature:

**Welltower** delivers the health care infrastructure necessary to facilitate better treatment at lower costs and keep patients out of the hospital. Their business is centred on a relationship-based investing platform. They provide real estate capital to leading seniors housing operators, post-acute care providers and health systems. Through their capital, these companies are able to grow, innovate and ultimately provide better care. Post-acute care is at the leading edge of reducing health care costs while improving quality. These high-impact rehabilitation centres are specialised in helping patients recover from illness or surgery with goals of getting the patient home and healed faster and reducing hospital readmission rates.

### Ethical News

**Two-thirds of the world's surface was scorched by a month or more of record-breaking heat**, according to the Guardian newspaper analysis of satellite data revealed. In oceans and on land, from Colombia to China, and from the north to south pole, records for the monthly average temperature were smashed time and time again last year – in some cases, by as much as 5C (9F) hotter than the previous record.

The Guardian took the average temperatures for each month in 2024, as recorded by the EU's Copernicus Climate Change Service (C3S), and compared them with the hottest month since 1979. **Sunday 2nd February saw temperatures at the north pole soar more than 20C above average, crossing the threshold for ice to melt.**

**Killer whales, also known as orcas, have officially made the Arctic Ocean their home** — something that was nearly impossible until now. Historically, thick ice sheets blocked the whales from venturing into these frigid waters, but as rising temperatures melt the ice, new pathways have opened up, as detailed by Mongabay. Researchers at the University of Manitoba recently identified two small, genetically distinct populations of orcas now living in Arctic waters year-round. The discovery, published in a Global Change Biology article was a

surprise to even the research team, who expected to find a single migrating group rather than two separate populations.

**London's new £5bn super sewer has been fully connected** and is already stopping half a million tonnes of sewage from entering the River Thames, the firm behind it has said during February. After 10 years of construction work, the last of the 21 connections of the Thames Tideway Tunnel was made to the city's Victorian sewage system. The 16-mile (25km) pipe will divert 34 of the most-polluting sewage outflows that have been discharging into the Thames. Tideway chief executive Andy Mitchell said: "This is another significant step forward – with this final connection complete, the super sewer is fully up and running and protecting the Thames." London's combined sewage system handles human waste and rain runoff together, but the capital's population has outgrown the infrastructure. The new system is expected to stop 95% of the sewage spills that previously would have polluted the river.

**Kellogg's** has used a toasting oven powered by hydrogen to manufacture cereal at its Manchester factory, in what it claims is a UK first that could help shape international energy transition plans. The business, owned by Kellanova, confirmed this week that it had successfully swapped from natural gas to hydrogen for the toasting oven at the Trafford Park factory for a three-week trial. This piece of equipment is used to produce cereals including Corn Flakes, Bran Flakes, Special K and Rice Krispies.

**Sainsbury's** is set to revolutionise its logistics by transforming food waste into fuel for a number of its HGV trucks. From March 2025, the pioneering initiative will see biofuel produced directly from Sainsbury's food waste power 30 trucks at its Emerald Park distribution centre in Bristol, which is half of the site's fleet. This will save over 3,000 tonnes of carbon dioxide annually, equivalent to the yearly electricity consumption of 1,950 households. Waste processor RenECO currently works with Sainsbury's to turn food waste that can't be donated or used for animal feed into biogas via anaerobic digestion. This circular system will now use the output of this biogas to create a liquid biofuel suitable for HGVs. Unlike traditional methods that mix certified biomethane with non-renewable gases, this system ensures all fuel comes directly from Sainsbury's waste.

## **Winners & Losers**

**Winning this month** was a humpback whale found entangled in creel fishing gear off the coast of Skye. The creel fishermen had been fishing further south when they received a report of the entangled whale. A single rope had become anchored around the tail of the humpback.

The fishermen, who had Scottish Entanglement Alliance (SEA) training, were able to haul the creels to disentangle the whale, making sure it was free of all rope. Ellie MacLennan, SEA project co-ordinator at the University of Glasgow, said: "This was a great example of the vital role fishermen can and do play in entanglement mitigation, and the importance of understanding not just the animals involved, but also the fishing gear and ground. "The Scottish Entanglement Alliance is holding ongoing trials of sinking rope, which lies flat on the seabed in collaboration with Scottish creel fishermen."

**Losing this month** are the nostalgic users of Skype. Microsoft announced this month that they will be closing down Skype in May this year and replacing it with the free version of Microsoft Teams. Skype was founded in 2003, and purchased by Microsoft for \$8.5bn in 2011.

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