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BRIGHTER WORLD MPS MONTHLY NEWSLETTER

Brighter World Newsletter – March 2025

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Market Commentary

The concerns over the global economy that picked up towards the end of February, alongside continued uncertainty created by the US administration, were the driving forces in markets during March. The result of this was a significant selloff in risk assets and a flight to safe-havens. Markets were building up to Trump's so called 'Liberation Day' and the announcement of tariffs at the start of April. Please refer to our separate comments on this as it was announced post-month end.

Uncertainty has led to a sharp drop in consumer sentiment in the US, with many consumer-facing companies highlighting consumer weakness. The likes of Walmart have described consumers as "budget pressured", particularly those on lower-incomes. On top of this, the labour market appears to be creaking, with data in the month coming in worse than was expected.

Developed markets (with the exception of Japan) slid, with US equities continuing to see outflows. After the main US equity index hit an all-time high on the 19th February, investors fled leading to the worst quarterly performance relative to the rest of the world for 23 years. Coming off the back of years of dominance, the Mag-7 stocks led the double-digit declines whilst the likes of Germanys main equity market returning double digit gains, that's despite finishing the month with 7 down sessions in the last 8. European stocks have benefitted from fiscal impetus, particularly around spending on rearmament. Asian and Emerging markets held up relatively well during the selloff, with both China and Indian markets returning low to mid-single digit returns.

Healthcare, or biotech in particular, suffered in the month follow the news of the resignation of a key FDA official who was supposedly key in the push for quick drug approvals. This did see declines across the sector. Portfolios have exposure to the Xtrackers MSCI Healthcare ETF which declined -4.23%, although it's important to understand this against a back drop of global equity returns, where a global equity benchmark returned -6.89% in sterling terms.

Within other thematic allocations, JP Morgan Climate Solutions L&G Clean Water faired similarly, returning -5.07% and -4.20% respectively. The weakest thematic allocation was portfolios semiconductor exposure, which was only added during the month to tap into some of the weakness we had seen in January.

Fixed income started the month softer but then began to play more of a role in safe haven flows during the market weakness. Sterling corporate bond funds returned around -0.70% for the month whilst a leading green bond index returned -1.30%. Portfolios shorter duration fixed income exposure fared better, with the iShares Ultrashort Bond ESG ETF returning +0.29% whilst the 0–5-year gilt fund returned +0.25%.

Model Portfolio transactions in the month:

There were no changes to portfolios during the month.

Performance:

Brighter World MPS	March 2025
3	**-1.60%**
4	**-2.51%**
5	**-3.46%**
6	**-3.98%**
7	**-4.53%**
8	**-4.55%**
9	**-4.61%**

MPS Stock pick feature:

Credicorp is Peru's biggest financial group, with a presence in other countries including Colombia, Bolivia, Chile, Panama and the US. As the owner of MiBanco, the largest microfinance business in South America, it is a major facilitator of financial inclusion in the region. While Credicorp itself was established in 1995, the company has roots going back 135 years. Its shares are listed on the New York Stock Exchange and its market cap multiplied eight times between 1995 and 2021. The business is structured across four key divisions: universal banking; insurance and pensions; microfinance; and investment and wealth management.

Credicorp has a strong market position, offers high return on equity (ROE) and seems poised for future growth. The firm is perfectly placed to close Peru's financial inclusion gap, which is the largest in South America; this provides a significant financial opportunity built around sustainability. Credicorp describes itself as an 'agent of change' in the countries where it operates; to support this, it defines three strategic pillars focused on financial inclusion and directly linked to the UN SDGs:

- Creating a more sustainable and inclusive economy
- Improving the financial health of citizens
- Empowering people to prosper

As well as its microfinance business MiBanco, Credicorp has developed Yape, a mobile payment method that has contributed to the growth of thousands of SMEs.

Ethical News

"We are entering an era of quiet progress" according to the authors of PwC's 2025 State of Decarbonisation report. On average, US companies are talking about the environment 76% less than they were three years ago, according to Bloomberg analysis of earnings transcripts of the 500 largest US companies. This highlights the impact that Trump has already had on 'Greenhushing'. For many companies, the motivating factor is to reduce scrutiny, and stay under the administration's radar, whilst continuing to make progress away from the spotlight.

90% of corporate finance chiefs surveyed said they wanted to increase green investment. The risk is that a lack of conversation around the topic will result in progress slowing down.

Last year, nearly 10% of all global clothes expenditure was on second-hand, according to a report from an online reseller. The trend for this to continue is positive, with tariffs in the US likely to increase the price of new clothes, whilst the rest of the world is seeing changing consumer attitudes and the benefits for the environment of buying and selling used items.

The largest and most advanced ultra-rapid charging superhub in the UK was officially opened in the month by InstaVolt. Strategically located near the A34 and M3 in Winchester, the superhub provides 44 ultra-rapid chargers and represent a major step forward in EV infrastructure. The site also integrates an on-site solar farm and cutting-edge battery storage technology. Whilst EV infrastructure build-out has positive momentum, investments in listed companies have suffered significantly over the last few years.

UK greenhouse gas emissions fell 3.5% in 2024 from the previous year according to provisional government data. Higher electricity imports and increased renewable generation led to a reduction in electricity supply emissions, with renewables generating a record 50.8% of the electricity. It shows efforts are working, but there is still a way to go in making renewables the backbone of the energy system, which will also be good for bills.