

BRIGHTER WORLD MPS MONTHLY NEWSLETTER

Brighter World Newsletter – November 2024

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[Market Commentary](#)

The Trump rally fed through to a number of investments within portfolios. US equities in general saw strong positive moves, with US Small and Mid-cap companies particularly benefitting from inflows from the expectations for lower taxes, lighter regulation and the made in America focus. We expect US small & mid-caps to continue to perform strongly in the coming year, as markets continue to broaden out from the big-tech dominance over the last year and a half.

Fixed income swung back in November after weakness the month before. A leading green bond index returned 1.88% (in sterling terms) for the month. Over the last few months, we have seen the yield curve steepen, with concerns rising over government deficits and borrowing plans. As a result, our preference here is to avoid too much duration risk, with portfolios sitting around 5 years currently. Portfolios alternative exposure dragged on portfolios. These types of investment trusts are more sensitive to the longer-end of the curve which we are becoming increasingly negative towards, which is why we have cut back at recent rebalances.

When it comes to the energy transition, there are obvious concerns over how this sector will fare under Donald Trump. There is wide consensus that offshore wind will most certainly be negatively impacted, and we expect this to come to a halt very early on in his tenor, in a similar fashion to how Biden suspended oil & gas leasing when he came into power.

It is worth looking back at Trumps last Presidency, where he vowed to revive US coal and removed the US from the Paris Climate agreement. Despite this, renewables went through a huge growth phase.

The benefits to Republican states of the Inflation Reduction Act have been well documented. The projects being made possible are creating billions in additional private investment and subsequently thousands of new jobs, and not to the detriment of older industries that some initially had political concerns with (the number of coal mining employees is actually slightly higher since the introduction of the IRA).

Many of our peers are very keen to point out the benefits of the act to US jobs and growth, but also building new industries to protect against Chinese dominance – all high up on Trumps agenda. Given the bi-partisan support, it will be hard for Trump to reach thresholds such as the 60% majority needed in the Senate to repeal the act. Even as recently as this summer, a number of Republican senators wrote to the house speaker to put their support behind preserving the IRA energy tax credits.

Reactions to the UK budget continued to feed through to the market as policies were digested. It has not been taken well by businesses, with the increase in Employer National Insurance Contributions expected to slow hiring and wage increases for employees, whilst increased costs may be passed onto consumers. This being said, consumer confidence metrics were surprisingly strong as we head towards the Christmas period and so we are more positive to the UK than Europe in the short-term.

The mood in Europe is becoming increasingly despondent, data is showing a weakening economy amidst an industrial sector that can't be competitive given energy prices. The CEO of portfolio holding ABB said that Europe is at serious risk of losing investment and industrial jobs to the US and China. This is at a time when there is an absence of political leadership, with elections scheduled for the new year in Germany and collapse of the French government around the corner. We expect the ECB to continue cutting interest rates as a result of this, as well as more fiscal spending in the economies which will further heighten concerns over debt sustainability.

Model Portfolio transactions in the month:

There was a slight change in portfolios thematic allocation We removed exposure to the iShares clean energy ETF, given the continued weakness which was not helped by the Trump Presidency win. This was replaced with a broader Climate Change Solutions ETF from JPM.

Performance:

Brighter World MPS	November 2024
3	1.55%
4	1.70%
5	2.13%
6	2.15%
7	2.24%
8	1.37%
9	0.94%

MPS Stock pick feature:

International Development Association (IDA) (Development Bank)

The IDA is a part of the World Bank that helps the world's poorest countries by providing zero to low-interest loans and grants to boost economic growth, reduce inequality and improve living conditions. Financing is replenished every 3 years and is made up of donations from wealthy countries, bonds issued on capital markets, early repayments and the World Bank itself. The most recent replenishment, IDA20, saw a record \$93 billion package with a theme of: "Building Back Better from the Crisis: Towards a Green, Resilient and Inclusive Future." The IDA's focus areas are: Climate Change; Fragility, Conflict and Violence; Gender; Jobs and Economic Transformation; and Human Capital.

Ethical News

Angel Trains, Hitachi Rail, and TransPennine Express have announced the success of the UK's first intercity battery train trial in the North of England. This trial demonstrated that a

single 700kW battery can reduce fuel costs by up to 50% while enabling zero-emission travel in and out of stations, significantly cutting noise and pollution. During the trial, the battery-powered train achieved all performance requirements, reaching speeds over 75 mph and aligning with timetable standards. What's more, the battery installation matches the weight and size of a diesel engine, ensuring no impact on passenger space or track integrity.

Octopus Energy's first-ever offshore wind tariff has delivered significant savings to customers from Grimsby to Skegness. The 'Fan Club' tariff has been running for one year, saving customers an average of nearly £200 annually, with the top 5% of users saving close to £400. The 'Fan Club' works by offering a 50% discount on electricity bills when local offshore wind turbines are generating power. Customers are notified through the Octopus Energy app, allowing them to schedule energy-intensive tasks, like laundry, during peak wind times for maximum savings. The company also offers similar tariffs in three onshore wind locations: Market Weighton, Halifax, and Caerphilly. Additionally, Octopus has used its tech platform 'Winder' to identify more locations for future 'Fan Clubs.'

A rewilding programme at a country estate could see the reintroduction of beavers and an increase in bats, turtle doves, bees and butterflies as part of a biodiversity scheme. **Castle Howard in North Yorkshire has turned 5% of its 9,000 acres into a habitat bank**, which will allow organisations that want to offset their carbon footprint or are required to meet biodiversity targets to buy "nature credits". Castle Howard estate chief executive, Jasper Hasell, said the scheme, launched by The Environment Bank, would see 440 acres of low-yielding farmland returned to nature.

In a landmark move for professional football, **Arsenal Football Club has become the first and only club globally to have its net zero target approved by the Science Based Targets initiative (SBTi)**. Arsenal is aiming to achieve net zero emissions by 2040, aligning the club with some of the most ambitious companies in the world and setting a new benchmark for sustainability in top-level football.

A five-year plan to help build Scotland's hydrogen economy and deliver an ambition for the technology to provide nearly a sixth of Scotland's energy needs by 2030 has been published. Backed by more than £100 million of funding, the draft Hydrogen Action Plan sets out the strategic approach the Scottish Government will take with industry to help make Scotland become a leading nation in the production of reliable, competitive and sustainable hydrogen. The five-year capital investment programme will focus on supporting regional renewable hydrogen production hubs and renewable hydrogen projects. The first tranche of investment will be a £10 million Hydrogen Innovation Fund, to be launched next year to drive technological progress and advance innovation and cost reduction within the emerging sector.

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