

BRIGHTER WORLD MPS MONTHLY NEWSLETTER

Brighter World Newsletter – September 2024

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Market Commentary

The Federal Reserve (Fed) finally embarked on their rate cutting cycle in September with a giant 0.50% cut. Although, the post meeting press conference highlighted the economy is still in good health and it was not panic stations just yet. The move signalled the Fed were willing to move big to avoid getting behind the curve, and sets them up for incremental, data dependent cuts, with markets now pricing US interest rates at circa 3% by the end of 2026.

Equities started the month on the back foot but were buoyed by the Fed rate cut and the general easing narrative, something our equity universe so desperately needed after facing headwinds over the last couple of years, with the cost of capital a particular issue. Small and mid-cap companies outperformed larger-cap peers as the equity rally broadened. Notable performers were those funds focussed on environmental or climate outcomes, such as clean energy.

Weak EU and somewhat weak US CPI figures at the end of the month re-affirmed the rate cut narrative, and very short duration assets (interest rate proxies) ended the month in a flourish. However, it is worth noting that the front end of the UK has underperformed with the market actually taking out some expectations for rate easing this year. The narrative in the UK hasn't been helped this month by strong retail sales and services PMI, and more recently, house price figures. This comes on top of some hawkish rhetoric out of the Bank of England and growing concerns that Labour might be looking to inject more money into the economy.

It has been reported that UK businesses are putting off any investments until after the budget, with uncertainty high over next month's potential block buster announcement from the Chancellor Rachel Reeves. Her speech at the Labour Party Conference was filled with lots of rousing rhetoric but few hard facts beyond those that we already knew (no increases in corporation or income taxes etc). Many in the markets and the press remain sceptical of her ability to kickstart the UK economy and/or reduce the government deficit.

As the Chinese economy continued to falter, authorities pushed ahead with a range of policy support measures, including a reduction in the amount banks needed to hold in reserve and a cut in their key policy rate. Asian equities, and those exposed to China, were buoyed following this announcement, with Chinese equities entering a bull market. Over the previous few rebalances, we have been rotating our Asia exposure into Chinese equities, so portfolios benefited from this move in September.

The Chinese stimulus inevitably led to a gain in industrial metals and the price of oil, with hopes the economy will begin to pick up, although news that one major oil supplier would roll back on production cuts has led to weakness in the energy sector.

In other asset classes, major developed market bonds, including green bonds, outperformed UK fixed income, for reasons previously mentioned. Portfolios infrastructure exposure was slightly positive for the month, after being range bound for much of the month.

Model Portfolio transactions in the month:

There were no portfolio transactions during the month.

Performance:

Brighter World MPS	September 2024
3	0.42%
4	0.44%
5	0.46%
6	0.70%
7	0.78%
8	1.68%
9	2.15%

MPS Stock pick feature:

Dexcom is a leader of diabetes care technology. They have spent the last 20 years innovating and developing simpler and better ways for people with type 1 diabetes to measure, track and manage their diabetes. Until recently the only way to know your glucose levels was to prick your finger, which is still practised by many people with diabetes today. Whilst finger pricking is able to measure your current glucose level at the time, it can't predict where your glucose levels are heading or how quickly. So, you end up having to finger prick again and again to try and build up a picture. Continuous glucose monitoring (CGM) systems, such as the Dexcom CGM System, measure glucose levels every 5 minutes, letting you see how your glucose levels are changing over time, and allows you to predict what they'll do next – without finger pricks or scanning.

Fund House Meetings:

During a very busy September, the team met with representatives from Aviva Investors, Columbia Threadneedle, Nedbank, Aegon, GIB, BlueOrchard (Schroders), Pinnacle, Impax, RBC BlueBay, Storebrand AM & Redwheel.

Ethical News

A total of nine offshore wind farm contracts have been awarded by the UK government after last year's auction failed to attract any bidders at all. The contracts are part of a wider slate of green energy projects that also include tidal and solar power, and will provide enough electricity to fuel the equivalent of 11 million UK homes, the government said. Keith Anderson, chief executive of Scottish Power, said offshore wind was "back on track after last year's misstep". "It will allow investment into manufacturing in the UK. It allows the sector to get back

up and running and it puts the government back on track for hitting targets, really important targets to decarbonise the sector,"

Sticking with the UK - The Department of Energy Security and Net Zero's (DESNZ) quarterly Energy Trends report **confirmed renewables electricity generation increased 19 per cent year-on-year during the second quarter**, marking the third consecutive quarter where renewables generation met over 50 per cent of power demand across the UK.

The UK Infrastructure Bank (UKIB) announced an investment in subsea high voltage cable manufacturer XLCC to develop a new world-leading factory in Hunterston in Scotland. Subsea HVDC cables built at Hunterston will be capable of transporting energy over long distances with significantly increased efficiency. As such, they will play a fundamental role in the upgrade of the grid required for the energy transition. This will enable the connection of renewables at scale and allow the clean energy produced by wind farms in the North Sea to be transported to homes and businesses around the country – strengthening our energy security as well as supporting decarbonisation. The funding consists of an initial £20m from the UKIB with an option to invest a further £67m upon XLCC achieving specific development and funding milestones.

The UK's first new deep coalmine in 30 years will not be allowed to go ahead after a ruling in the high court. The plans to build the facility in Whitehaven, Cumbria would not proceed, in what campaigners called "a victory for the environment". The judgment found the climate impact of burning coal, oil and gas must be taken into account whether to approve projects. Following on from this, after 142 years, the UK has now stopped producing electricity from burning coal, marking the first major developed economy to do so.

Schneider Electric, the leader in the digital transformation of energy management and automation, is investing £42 million in a new manufacturing facility in Scarborough, North Yorkshire. More than 200 jobs will be created to meet the increased demand for electrical equipment to drive the UK's move to cleaner energy including renewable energy sources, electric vehicles, and intelligent, energy-efficient buildings. The site, which is almost triple the size of Schneider Electric's existing Scarborough facility, is a blueprint for sustainable design and operations in the manufacturing industry. It is poised to become a net-zero plant and will use modern technology to reduce energy waste and maximise the use of renewable energy. It is expected to be net-zero in Scope 1 and 2 emissions when it opens in early 2025.

Record rainfall leading to flooding that killed 24 people in Europe in September was twice as likely due to manmade climate change, a study has found. The flooding took place across central Europe after Storm Boris stalled over the region between 12th & 16th September, inundating Poland, Romania, Slovakia, Austria, Czech Republic & Germany with the heaviest rainfall ever recorded in some areas and affecting almost two million people. "Our study has found the fingerprints of climate change in the blasts of rainfall that flooded central Europe," said Joyce Kimutai, a researcher at Imperial College London and one of the contributors to the report by World Weather Attribution. "Yet again, these floods highlight the devastating results of fossil fuel-driven warming".

The Butterfly Conservation charity has declared a national "butterfly emergency" after its annual Big Butterfly Count recorded its lowest ever number. The count has been running for 14 years, and although this year's poor results are partly down to the wet weather, the long-term trend is hugely concerning says the charity. Wider data from the UK Butterfly Monitoring Scheme, one of the longest running insect monitoring schemes in the world – shows yearly fluctuations in butterfly numbers in response to weather conditions amid a long-term picture of decline driven by climate change, habitat loss, pollution and pesticides. Dr Marc Botham of the UK Centre for Ecology and Hydrology said 33% of species had shown a

significant decline in their abundance on monitored sites in the UK over the past 48 years. "It's quite simple really – there's not enough habitat and what is there isn't good quality," he said.

In a separate news article Friends of the Earth states that pollution of all types (water, air, noise and light) threatens nature in a quarter of England's neighbourhoods.

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