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BRIGHTER WORLD MPS MONTHLY NEWSLETTER

Brighter World Newsletter – June 2026

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Market Commentary

The month began still shrouded in uncertainty as a result of the ongoing situation in the Middle East and the impact it has had on inflation expectations. Central bankers have had to respond, and Kevin Warsh, the new chair of the Federal Reserve, has committed to delivering price stability. With inflation at 4.20% in May, and macro data pointing to a relatively robust economy, markets are increasingly pricing tighter policy. The European Central Bank delivered a 0.25% rate hike in June, highlighting the prospect that higher real rates is a live possibility.

However, as the month wore on, we did see some of these rate hike expectations ease, with the price of oil off around 30% since the peak. In the UK, markets now price no rate hikes in the next twelve months, supported by comments from Bank of England chief, Andrew Bailey, who said they were in no rush to respond to higher oil prices. Whilst he said cuts are off the table for now, many commentators, including us, believe we'll begin to see these expectations build in the months ahead. The UK is set for another Prime Minister, should Andy Burnham win the looming leadership contest. Markets have taken some comfort in that he will respect the government's fiscal rules, although the uncertainty over a new chancellor will keep investors on the edge of their seats for now.

Technology stocks wobbled in June over valuation and AI capex spend concerns. This led to weakness in major US equity indices, reflected in a global basket of stocks returning -0.69%, although dollar strength saw this reflected as +0.83% in Sterling terms. Pockets of the market did perform better, with US small caps rallying strongly in the month as we saw greater market breadth, which inevitably benefits sustainable focussed portfolios. As a result, most assets contributed positively to performance over the month, with fixed income also advancing, as cooling rate-hike expectations lifted bond markets: Portfolios global green bond index fund returned +0.54%.

Portfolios' core World SRI allocation strongly outperformed traditional equity indices, returning +6.99%, led in part by the beneficiaries of the AI capex spend from tech hyperscalers which has dragged down other general equity markets. All regions positively contributed to these returns, with the USA SRI returning +5.47%, whilst Japan (+3.18%), the UK (+2.91%) and Europe (+2.86%) supported broader returns.

Within the thematic sleeve, Xtrackers MSCI World Health Care was the standout performer, returning +6.63% as investors focussed on the depressed valuations and defensive properties. Climate-related themes were positive, notable L&G Clean Water (+5.19%), although the Rize Environmental 100 lagged, returning -2.73%, although this comes after a

strong 6-to-12-month period. Portfolios Environment & Low Carbon Tilt Real Estate added +3.11%.

As we start the second half of the year, investors have once again weathered the storm of an energy price shock brought about by a conflict. Inflation expectations will be a key driver in the second half, against a backdrop of AI disruption and opportunity. Key themes of electrification, energy security and AI infrastructure will continue to provide opportunities, but our focus remains on diversification, and we expect other key ethical sectors to start contributing more meaningfully.

Model Portfolio transactions in the month:

There were no changes to portfolios during the month.

Performance:

Brighter World MPS	June 2026
3	1.37%
4	1.58%
5	2.18%
6	2.57%
7	2.77%
8	2.57%
9	2.29%

MPS Stock pick feature:

The Gorrman-Rupp Company, founded in 1933, designs, manufactures and sells pumps and related equipment (pump and motor controls) for use in water, wastewater, construction, dewatering, industrial, agriculture, fire suppression, heating, ventilation and air conditioning (HVAC). Their passion is to create a sustainable future, one that's built to last. The company are committed to advancing the health, safety of their employees, customers and communities by making a positive impact on their communities through philanthropy and social engagement, whilst also reducing their impact on the environment through resource conservation and waste prevention.

Ethical News

The biggest ever U.S. clean energy infrastructure project, an $11 billion wind farm and transmission line in New Mexico, is fully operational after nearly two decades of permitting and construction, owner Pattern Energy Group said during June. SunZia is a 3,650-megawatt wind farm and 550-mile (885-km) transmission line that will carry power from central New Mexico to south-central Arizona. About two-thirds of the electricity will then be sent west to customers in California. SunZia can serve the annual needs of about 1 million homes and is three times larger than the next two biggest U.S. wind farms, according to the Energy Information Administration.

Staying with US energy, in May 2026, **solar overtook coal in the US electricity mix for the first time on record,** supplying 12.8% of power compared to coal's 12.2%. Solar output hit an all-time high of 45.5 terawatt-hours, up 17% from a year earlier, even as the Trump administration pushed new funding to support coal plants.

Octopus and CATL to partner on European EV truck battery swap network. UK energy company Octopus and Chinese battery giant CATL announced a new joint venture at Octopus Energy's Energy Tech Summit. The partnership will draw on CATL's battery technology and experience operating swapping stations in China with Octopus's energy supply, trading, and software capabilities. Octopus and CATL say the first "mega hubs" are expected to open in the UK in 2027, with more than 30 planned by 2035. Each hub is expected to be able to serve thousands of lorries a day.

The heat wave searing much of Europe is officially the most severe ever recorded in the region, according to study published during June. Researchers at World Weather Attribution, who looked at heat and humidity levels during both the day and night during three consecutive days in the month of June, found that temperatures were between 5C and 12C above the seasonal averages across France, Germany, Italy, Spain and southern England. Theodore Keeping, a research associate at Imperial College London and a co-author of the study, said the onset of such high levels of heat this early in the season was striking. "This was the most severe heat wave for any time of the year, not just June," he said. At the same time, "June is heating faster than any other month and now these temperatures are expected regularly."

Linked to the above, extreme weather events are making a growing number of assets too risky to insure, according to a director at Europe's largest primary insurer. "Certain locations and perils cannot be covered as we would wish them to be covered," Günther Thallinger, who sits on the management board of Allianz SE, said in an interview. "We cannot help it." Heat, floods, storms and wildfires "could become so frequent that they challenge traditional insurance models," he said. "Risk-adequate pricing would not be affordable any longer."

The UK's woodland-creation rate fell once again last year – with Scotland's total tumbling to a near-decade low. A little under 13,500 hectares of new woodland were created in the 12 months prior to the end of March 2026, down on the 15,700 ha of the previous period. Once again, the performance north of the border was a prime cause for the slump. While it continued to lead the way, Scotland's 7,220 ha total was the first time its planting rates had fallen below 8,000 ha since 2018.

The UK will probably miss its clean electricity target by five years because of capacity constraints on its grid and could struggle to deliver on promises to cut household energy bills, according to consultant LCP Delta. About 83% of all power should come from clean sources by 2030, short of the government's goal of 95%, with that milestone now unlikely to be hit until 2035, LCP Delta said in a report. A huge amount of renewable energy — enough to power millions of homes — is set to be lost because it can't flow to where it's needed, prompting gas-fired plants to be turned up to fill the gap. The warning underscores one the biggest challenges facing Britain's energy transition. While renewables output is rapidly expanding, there hasn't been enough investment in the network to handle the extra flows and insufficient battery capacity to store excess power.

Finishing with some good news - Some coral reef ecosystems have a far greater chance of surviving the effects of climate change than previously understood, according to new global research. About 166,000 square kilometres of coral reefs across 71 countries have capacity to either withstand or recover from the effects of global warming, a study presented by the Wildlife Conservation Society and Macquarie University found.

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