

EVERYTHING ETHICAL

MONTHLY NEWSLETTER

– ETHICAL MPS

Everything Ethical Newsletter – April 2025

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Market Commentary

April 2025 will certainly go down in the history books as Donald Trump's so called 'Liberation Day' sparked turmoil in financial markets and global trade. As Trump imposed the steepest US tariffs in a century, with at least 10% on all imports, equity weakness was widespread whilst there was a flight to safe havens such as gold and the Swiss Franc. Noticeably, this did not include the US dollar and US Treasuries, which have historically been considered safe haven assets.

Amongst the worst hit were US companies with overseas supply chains, affecting many consumer facing companies as well as big technology and semiconductors. This fed through to currency as investors looked to broaden away from the US, with the Euro and Japanese Yen soaring against the dollar. Many commentators began pointing to this moment as marking the peak of "US exceptionalism".

Weaker US GDP and hotter consumer price data on the last day of the month reflects the mood music in the current tariff environment. Stagflation has become a concern and has placed pressure on US bond yields, pressuring the negative correlation that fixed income has played during the recent equity market weakness. This places the Federal Reserve in a very tricky situation, but despite Trump's efforts to the contrary we do not believe the Fed will be in any rush to cut interest rates. This is in contrast to the Bank of England who are expected to deliver a rate cut in May, and a further 3 rate cuts to leave the bank rate at close to 3.5% by year end.

As corporate earnings season began, the uncertainty that Trump's policies has created was plain to see. From those who have reported so far, a trend has emerged where companies are withholding their provision of forward guidance. This is a key component for investors who use this information in their decision-making. In the current climate, companies simply do not believe that they are in position to provide accurate information.

Portfolios held up relatively well given their lower exposure to US equities (compared to a conventional index) and the US dollar. In particular, the lack of exposure to US big tech companies was beneficial as markets continued to broaden in the selloff, with US equities underperforming global equities once more. The last week of the month did see equities rally as the US administration showed signs of their desire to pull back on tariff plans. A global basket of developed country stocks returned -2.40% after showing a -9.25% at one point in the month. These returns were broadly in line with many large-cap sustainable funds in our universe. Our regional exposure to the UK market was a standout performer, with Liontrust

Sustainable Future UK Growth returning +3.97% whilst Janus Henderson UK Responsible Income returned +2.17%.

Surprisingly, given the wider weakness in healthcare, portfolios holding in Polar Capital Healthcare Opportunities was a standout performer in that sector, returning +0.37% for the month, highlighting the importance of active management. For reference, a global basket of healthcare companies returned -5.27%. Meanwhile, Water and Waste continued to perform strongly with Regnan Water and Waste returning +1.14% in the month.

After dragging on performance in prior quarters, it was encouraging to see that portfolio exposure to infrastructure was resilient and a positive contributor to performance, with RM Alternative Income returning +3.76% in April.

Similarly, portfolios continued to benefit from their shorter-duration stance. UK short-dated yields fell noticeably in the month as expectations for interest-rate cuts increased amidst the economic fears surrounding global trade. There is now close to 1% of interest rate cuts priced into the market by the end of 2025, versus 0.5% at the start of the month. Longer-dated yields fell an unsubstantial amount, with term-premium continuing to be applied to long-dated assets amidst fiscal sustainability concerns and global uncertainty.

Model Portfolio transactions in the month:

There were no changes to portfolios during the month.

Performance:

Funds MPS	April 2025
Defensive	0.84%
Cautious	0.65%
Balanced	0.45%
Balanced Growth	0.21%
Growth	-0.08%
Adventurous	-0.58%

MPS Stock pick feature

Despite the building industry's significant environmental footprint, **British Land** is actively mitigating its impact by targeting a 50% reduction in embodied carbon within new developments as well as increasing operational performance of the existing portfolio. They also create positive value through the social impact of their spaces, including education initiatives, employment initiatives and creating affordable spaces. They are industry leading in their green build practices, 100% of their portfolio is certified to green building standards and they mandate net biodiversity gain of 15% in all new developments. British Land are strong from a governance perspective and are living wage accredited.

Fund House Meetings

During April we met with Sarasin, Franklin Templeton, Aikya, ColumbiaThreadneedle, Schroders & Foresight.

Ethical News

The UK is earmarking £300m, to bolster the homegrown supply chain for offshore wind, an industry considered essential for meeting climate and job-growth goals. The spending comes as the UK hosted government ministers and energy company executives for a London summit with the International Energy Agency. The funding will be channelled through state-backed Great British Energy. Britain has, by far, the biggest fleet of offshore wind farms in Europe, but it imports most of the major components such as turbines and undersea cables.

More than 40 percent of the world's electricity was generated without burning fossil fuels in 2024, according to a new report from think-tank Ember. But carbon dioxide emissions have risen to an all-time high, with hot weather pushing up the overall demand for power. Solar power continues to be the fastest-growing energy source, with the amount of electricity it generates doubling in the last three years.

The National Trust (NT) have said that some of the UK's rarest wildlife is being "torched alive" and pushed closer to extinction after recent weeks of intense grass fires. They include endangered birds like hen harriers and water voles, which are now the UK's fastest declining mammal. The NT said it believed ongoing wildfires at Abergwesyn common in Powys had destroyed "the last remaining" local breeding habitat for golden plovers – considered one of the most beautiful birds of the British uplands.

Aberdeenshire Council has granted planning approval for Kintore Hydrogen, a green hydrogen project poised to become the largest in the UK. Developed by Statera Energy, the initiative has already received government support through the Net Zero Hydrogen Fund. The project is anticipated to inject around £400m into the Aberdeenshire economy and bolster industrial decarbonisation efforts in major UK clusters such as Grangemouth. Kintore Hydrogen aims to produce zero-carbon hydrogen using renewable power sources, notably by utilising surplus energy from Scottish wind farms that would otherwise be curtailed to balance the electricity grid. This approach is said to not only improve the cost-effectiveness of hydrogen production but also enhance the UK's energy security by providing a low-carbon alternative to natural gas for carbon-intensive industries. The final decision will now go to the Scottish Government for final approval.

During April the Net Zero Banking Alliance (NZBA) confirmed that its members had "overwhelmingly" voted in favour of an overhaul of its framework, effectively abandoning its commitment to a 1.5°C target. Under the previous framework, alliance members were required to align their investment and lending activities with the goals of the Paris Agreement. The new framework offers NZBA members more flexibility, by acknowledging "a wider range of net-zero pathways that align with the temperature goals of the Paris Agreement to limit global temperature rise to well below 2°C and to strive for 1.5°C".

Expressing its disappointment with the decision, and subsequent exit from the Alliance, **Triodos Bank** said the new framework had "lowered the climate ambition of the alliance" and voiced "deep concern over a shift away from binding agreements". "We believe that remaining a member under these less stringent guidelines and lowered ambitions, and also seeing that a lot of what we have achieved over the years is being watered down, would not align with our own climate ambition and commitment to combatting climate change," the bank said. **Triodos added that it had decided to increase its own emissions reduction ambition, targeting a cut in its financed emissions from 32 per cent to 42 per cent by 2030.** The lender also intends to continue working with other banks on climate action, focusing on alternative "meaningful" alliances at European and global level, including the Global Alliance for Banking on Values, the European Banking Federation and UK Finance, it said.

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