

# EVERYTHING ETHICAL

## MONTHLY NEWSLETTER

– ETHICAL MPS

### Everything Ethical Newsletter – August 2025

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#### Market Commentary

The US economy is beginning to see inflationary pressures creep in, albeit not the spike some had been expecting. A number of trade deals have been implemented whilst a number of imports have exemptions, lowering the average tariff rate below economists' earlier predictions. Other factors such as stockpiling and some retailers delaying price hikes for now have also assisted, although rising wholesale prices signal pressures ahead.

India and US tensions have risen with the former being slapped with 50% tariffs for purchasing Russian Oil. Meanwhile, the US-EU trade deal which places 15% tariffs on roughly 70% of goods from the EU could be short-lived given Trumps focus on regulatory burdens on US tech firms.

Concerns over central bank independence grew after Trump fired Fed Governor Lisa Cook, weakening the dollar. The Fed has held rates since December 2024, but deteriorating jobs data, immigration policy impacts, and CEO layoff expectations have raised the likelihood of a September rate cut, despite strong GDP figures.

Closer to home, the Bank of England delivered on a rate cut in August, although only after a second round of voting given the split decision. Governor Bailey warned of renewed inflation threats which led to rate cut expectations later in the year easing.

Bond vigilantes have been out in full force as they seek to retrain fiscal spending. US political interference in the Fed, France's inability to agree on a budget to reduce fiscal spending, and a lack of confidence in the UK chancellor to get hold of the purse strings in the UK has seen yield curves steepen, justifying our position to stay at the shorter end of the curve.

August saw the continuation of earnings season, with corporate results on the whole exceeding market expectations. The US dollar reversed some of its July gains, with expectations for Federal Reserve (Fed) interest-rate cuts increasing. These, alongside AI optimism, drove positive equity sentiment for much of the month. However, a tech-led wobble in the last few days saw some gains given up, with an all-world equity index only returning 0.51% in sterling terms. Markets enter September, which is historically a weak month for equities, with a cautious tone.

In August, value equities generally outperformed growth, which helped portfolios holding in Schroders Global Sustainable Value return +3.17%. Outside of this, portfolios Emerging Market exposure was a positive contributor to performance, with the UBAM Positive Impact EM fund returning +2.21%. Healthcare continued to recover, with portfolios Polar Capital Healthcare Opportunities fund returning +4.54% in the month (we increased exposure here at

our rebalance in June). Other thematics were positive contributors to performance, with Robeco Smart Energy returning +1.72% and Regnan Sustainable Water and Waste returning +1.28%. Laggards for the month included portfolios European and UK growth equities, as well as infrastructure, although the latter has seen profit taking into August following a strong start to the year. Within fixed income, with expectations for US rates easing (given it's a treasury like proxy), the HSBC Sustainable Development Bank Fund returned +1.23% for the month, with the weakness in the UK, sterling based fixed income funds lagged more global funds.

### Model Portfolio transactions in the month:

There were no changes to portfolios during the month.

### Performance:

Funds MPS	August 2025
Defensive	-0.02%
Cautious	0.00%
Balanced	0.05%
Balanced Growth	-0.06%
Growth	-0.03%
Adventurous	-0.07%

### MPS Stock pick feature

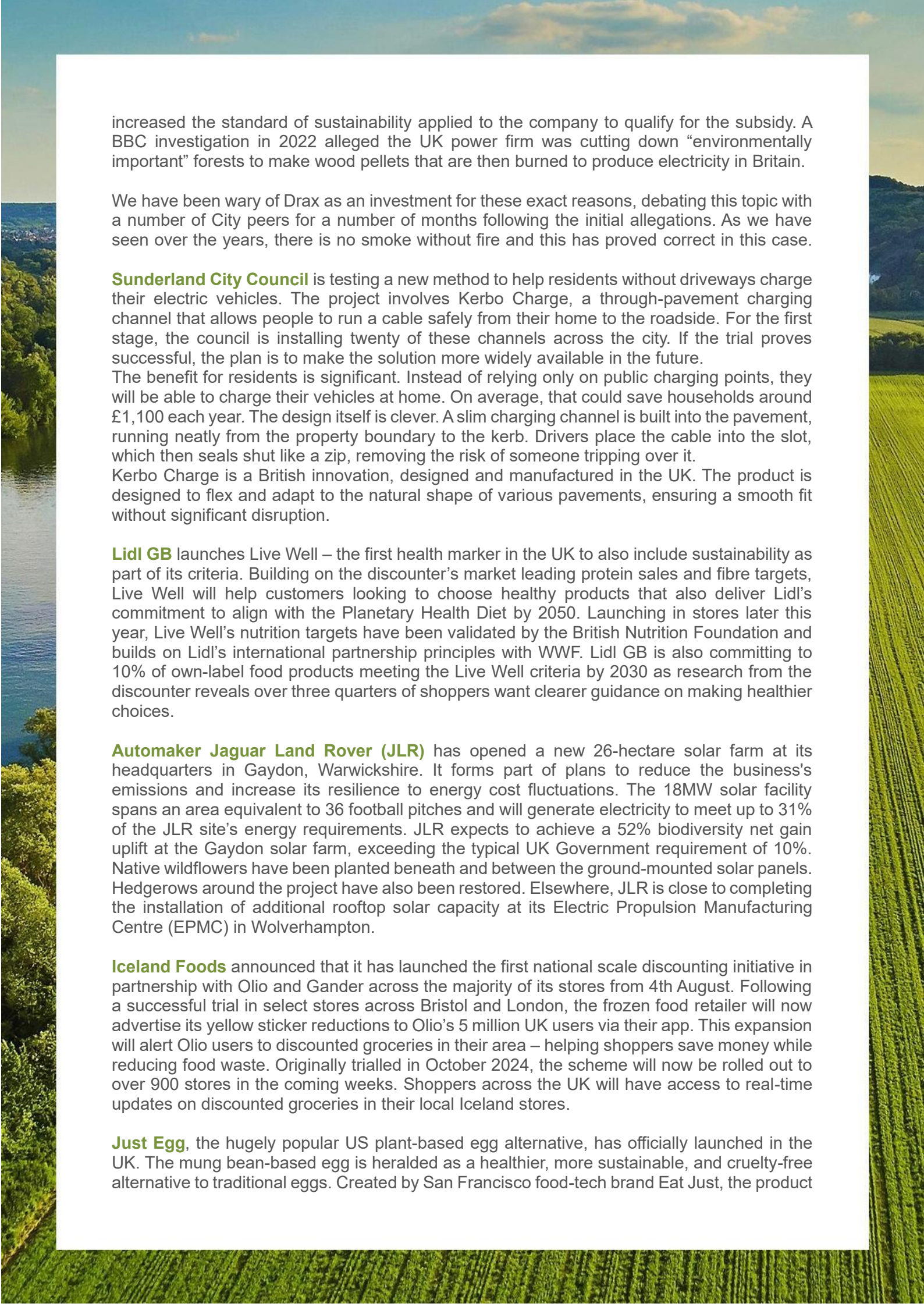
The **Knorr-Bremse Group**, based in Munich, have pursued a single mission for more than 120 years: to make mobility on roads and railways safe, sustainable and environmentally friendly. Today they are the global market and technology leader for braking systems and a leading supplier of safety-relevant sub-systems for rail and commercial vehicles. As an innovator in their fields, they advance developments in mobility and transport technologies. They see it as their daily mission to make a significant contribution to greater safety, efficiency and reliability on roads and railways. That goes for passenger and goods transport – all over the world. They are an innovator, driving forward mobility and transport technologies. The fundamental transformation of mobility is opening up new opportunities for Knorr-Bremse. Global megatrends such as urbanization, eco-efficiency, digitalization, and automated driving are defining these changes. They are ideally positioned to help shape a new world of mobility.

### Fund House Meetings

In August we met with Nedbank, Aviva Investors, Rathbones, Impax, WisdomTree & Stewart Investors.

### Ethical News

**Drax Group Plc** is facing a probe by the UK's Financial Conduct Authority into statements the clean energy producer made about its biomass sourcing. The probe covers the period of January 2022 to March 2024 and focused on compliance of the company's annual reports between 2021 and 2023, Drax said in a statement on Thursday 28th August. The firm said it will cooperate with the FCA as part of the investigation, declining to comment further. The watchdog confirmed the probe without providing any more details. Drax has faced criticism in recent years over the sustainability of wood it sources from North America to burn in its power plants. A government decision to extend the company's subsidies cited those concerns and



increased the standard of sustainability applied to the company to qualify for the subsidy. A BBC investigation in 2022 alleged the UK power firm was cutting down “environmentally important” forests to make wood pellets that are then burned to produce electricity in Britain.

We have been wary of Drax as an investment for these exact reasons, debating this topic with a number of City peers for a number of months following the initial allegations. As we have seen over the years, there is no smoke without fire and this has proved correct in this case.

**Sunderland City Council** is testing a new method to help residents without driveways charge their electric vehicles. The project involves Kerbo Charge, a through-pavement charging channel that allows people to run a cable safely from their home to the roadside. For the first stage, the council is installing twenty of these channels across the city. If the trial proves successful, the plan is to make the solution more widely available in the future.

The benefit for residents is significant. Instead of relying only on public charging points, they will be able to charge their vehicles at home. On average, that could save households around £1,100 each year. The design itself is clever. A slim charging channel is built into the pavement, running neatly from the property boundary to the kerb. Drivers place the cable into the slot, which then seals shut like a zip, removing the risk of someone tripping over it.

Kerbo Charge is a British innovation, designed and manufactured in the UK. The product is designed to flex and adapt to the natural shape of various pavements, ensuring a smooth fit without significant disruption.

**Lidl GB** launches Live Well – the first health marker in the UK to also include sustainability as part of its criteria. Building on the discounter’s market leading protein sales and fibre targets, Live Well will help customers looking to choose healthy products that also deliver Lidl’s commitment to align with the Planetary Health Diet by 2050. Launching in stores later this year, Live Well’s nutrition targets have been validated by the British Nutrition Foundation and builds on Lidl’s international partnership principles with WWF. Lidl GB is also committing to 10% of own-label food products meeting the Live Well criteria by 2030 as research from the discounter reveals over three quarters of shoppers want clearer guidance on making healthier choices.

**Automaker Jaguar Land Rover (JLR)** has opened a new 26-hectare solar farm at its headquarters in Gaydon, Warwickshire. It forms part of plans to reduce the business’s emissions and increase its resilience to energy cost fluctuations. The 18MW solar facility spans an area equivalent to 36 football pitches and will generate electricity to meet up to 31% of the JLR site’s energy requirements. JLR expects to achieve a 52% biodiversity net gain uplift at the Gaydon solar farm, exceeding the typical UK Government requirement of 10%. Native wildflowers have been planted beneath and between the ground-mounted solar panels. Hedgerows around the project have also been restored. Elsewhere, JLR is close to completing the installation of additional rooftop solar capacity at its Electric Propulsion Manufacturing Centre (EPMC) in Wolverhampton.

**Iceland Foods** announced that it has launched the first national scale discounting initiative in partnership with Olio and Gander across the majority of its stores from 4th August. Following a successful trial in select stores across Bristol and London, the frozen food retailer will now advertise its yellow sticker reductions to Olio’s 5 million UK users via their app. This expansion will alert Olio users to discounted groceries in their area – helping shoppers save money while reducing food waste. Originally trialled in October 2024, the scheme will now be rolled out to over 900 stores in the coming weeks. Shoppers across the UK will have access to real-time updates on discounted groceries in their local Iceland stores.

**Just Egg**, the hugely popular US plant-based egg alternative, has officially launched in the UK. The mung bean-based egg is heralded as a healthier, more sustainable, and cruelty-free alternative to traditional eggs. Created by San Francisco food-tech brand Eat Just, the product

is being brought to the UK by Vegan Food Group (VFG), led by Veganuary founder Matthew Glover. According to VFG, the egg scrambles, cooks, and tastes like traditional chicken eggs. It can be used in baking or cooked into scrambled eggs, omelettes, Yorkshire puddings, and French toast. Just Egg contains as much protein as conventional eggs, but with less saturated fat and zero cholesterol.

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