

EVERYTHING ETHICAL

MONTHLY NEWSLETTER

- ETHICAL MPS

Everything Ethical Newsletter – January 2026

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Market Commentary

It has been an eventful start to 2026 across geopolitics, central banks and financial markets. The US administration was once more making headlines, particularly in Venezuela and the sabre-rattling around Greenland, although this was tempered at the World Economic Forum in Davos. Ultimately, it is perceived that the US is increasingly isolating itself from other nations, which has seen the US dollar continue to weaken. This has fuelled a strong rally in gold and silver, alongside commodities such as copper, in the so-called 'debasement' trade. This did begin to unwind at the end of the month on the announcement of the new Federal Reserve Governor. He is viewed by markets as relatively hawkish, and therefore less likely to push aggressive interest rate cuts, which gave strength to the dollar and sparked a sell-off in gold and silver.

Global equities were in the green for the month, although weakness in the US dollar saw sterling returns for global equities lower. The largest contributor within the global equity allocation of portfolios was Hermes Sustainable Global Equity returning +1.40%, whilst Janus Henderson Global Sustainable Equity returned +0.91%. Portfolios' UK allocation was a notable contributor to performance, portfolios' UK income and UK growth allocation returned +1.78% and +1.80% respectively.

Earnings season kicked off giving investors a clearer insight to the business environment. Technology companies were particularly in the spotlight, as the concerns around a bubble in AI that increased into the end of last year continue to simmer in the background. Ultimately, these served mixed signals, but market heavyweight Microsoft was particularly eye-catching, falling over 10% on record spending levels. A key concern around the AI bubble has been that high levels of spending are not translating into financial returns.

Environmental focussed investments were positive contributors to performance in the month as equity returns continued to broaden, with smaller cap equities outperforming large caps. Regnan Sustainable Water and Waste returned a notable +3.68%. Portfolios' Healthcare exposure returned -0.32%, although this weakness was related to currency rather than concerns within the sector.

A weaker US dollar continues to be supportive for Emerging Market & Asian equities which fed through to the portfolio's allocations. UBAM Positive Impact Emerging Equity fund returned +6.61% whilst Abrdn EM SDG Equity returned +7.23%. Indian equities were once again weak in the month, but it is a region we continue to have a strong long-term conviction on, and at time of writing early in February we were encouraged to see a trade deal between the US and India which provided support to Indian equities.

Fixed income was largely a positive contributor on the month, with longer-dated yields continuing to be supported by lower government issuance. However, concerns over the size of government deficits have not disappeared, and comments from the inbound Federal Reserve chair regarding the Fed's balance sheet size is likely to lead to steeper curves, so we continue to have no desire to have any meaningful exposure to longer dated bonds.

Model Portfolio transactions in the month:

There were no changes to portfolios during the month.

Performance:

Funds MPS	January 2026
Defensive	0.48%
Cautious	0.91%
Balanced	1.16%
Balanced Growth	1.22%
Growth	1.37%
Adventurous	1.86%

MPS Stock pick feature

Aptiv is a global technology company that designs and manufactures advanced electrical systems for the automotive sector, including high-voltage power distribution and battery systems for electric vehicles, and advanced safety and user experience technologies that are used in cruise control and emergency braking systems. Aptiv's products are focused on increasing the energy efficiency and safety of cars. The company's mission is to enable a safer and greener future of mobility which is reflected in their product development. Areas of focus for innovation include predictive Battery Management Software to optimise electric vehicle life, Smart Vehicle Architecture to optimise vehicle electrical systems to reduce complexity and weight whilst increasing energy efficiency and vehicle lifespan, and including recycled ocean plastics into vehicle components.

Fund House Meetings

During January we met with Fidelity, ECP AM, Troy AM, RM Funds, Federated Hermes, Rathbones, UBS & Pictet.

Ethical News

Stormy weather helps push Britain to new monthly wind power record - A record 10.6 terawatt-hours (TWh) of wind power was generated across England, Scotland and Wales in January 2026, largely due to stormy weather. Energy think-tank Ember analysed data from the National Energy System Operator (NESO) to confirm the milestone. The previous monthly record was 10.4 TWh, set in December 2023. Ember attributed the record to favourable generation conditions and an increase in installed wind capacity. Ember also tracked 0.5 TWh of electricity generation from solar in January 2026. This means that, collectively, wind and solar generated 11.1 TWh, 5% higher than the previous record set in December 2023. Gas, meanwhile, generated 9.1 TWh in January 2026, 17% lower than in January 2025 despite a 2% year-over-year increase in demand.

A revealing study has found that just 32 fossil fuel companies produced half of the world's carbon dioxide emissions in 2024. The "Carbon Majors" report identifies state-owned Saudi Aramco and investor-owned ExxonMobil as the top global polluters. Critics argue these firms are "sabotaging climate action," as many are controlled by nations that opposed phasing out fossil fuels at recent UN summits. While experts warn the 1.5C warming limit is now likely to be exceeded, the data is increasingly used in landmark legal cases to hold these corporations financially accountable for climate-driven disasters like flooding and extreme heatwaves.

A historic milestone in sustainable logistics has been reached as the first electric heavy goods vehicle (eHGV) successfully crossed the English Channel via the LeShuttle freight train. This journey, spanning from the East Midlands to Northern Germany, establishes the first "electric corridor" for freight between the UK and the EU. While electric trucks currently command a higher purchase price than diesel alternatives, they offer lower operating costs over a five-year period. To encourage adoption, the government is offering discounts of up to £120,000 per vehicle. With 25% of UK-EU trade relying on the tunnel, officials anticipate 50,000 electrified truck crossings within the next five years.

Despite a significant shift in federal policy and the removal of green tax credits, the US renewable energy sector continues to show remarkable growth. Although the current administration has championed fossil fuels, analysts predict a 46% surge in solar generation over the next two years. This trend is driven by economics: solar and wind power are now substantially cheaper than coal or natural gas. Furthermore, a boom in battery storage technology is addressing previous concerns regarding the reliability of green energy. Even with new political barriers, the long-term transition away from fossil fuels in the national power sector remains intact.

Scientists are reporting an acceleration in global warming, with 2025 ranking as the third hottest year on record. For the first time, the three-year warming average has surpassed the 1.5C threshold established by the Paris Agreement. This record heat occurred despite a cooling La Niña phase, proving that human-caused emissions are now overwhelming natural weather cycles. The rising temperatures are linked to catastrophic weather events, including record-breaking hurricanes and deadly wildfires. Compounding the crisis, the US has recently moved to abandon international climate treaties and dismiss key scientific advisory roles.

The UK's rail industry has taken a major leap toward decarbonisation with the launch of the first rapid-charging battery train in West London. Currently serving the Greenford branch line, the train replaces older diesel models and uses innovative technology that allows for a full recharge in just four minutes. This battery-powered solution is more cost-effective than installing traditional overhead electric lines and recently set a world record by travelling over 200 miles on a single charge. This initiative is a vital component of the national strategy to phase out all diesel-only trains by 2040.

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