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EVERYTHING ETHICAL MONTHLY NEWSLETTER – ETHICAL MPS

Everything Ethical Newsletter – October 2026

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Market Commentary

October was characterised by a sharp sell-off in AI-linked shares, as concerns grew over the return on AI spending. Energy remained the main inflationary force, with Brent crude rising 10.5% to a six-month high above $112. Economic growth held up, particularly in the US, where third-quarter GDP grew ahead of expectations.

Government bond yields hit fresh multi-decade highs early in the month before recovering, helped by safe-haven demand. The UK 10-year gilt yield reached its highest level since 2007 ahead of the first Budget which was largely uneventful. The short end remains driven by the expected Bank of England interest rate hikes, whilst the long end was helped by the lighter long-dated supply announced. In Europe, protests and a struggling 2027 budget added to fiscal concerns in France, pushing French yields higher. Portfolio positioning remains at the shorter end of the yield curve and sterling-focussed, so have been somewhat shielded from this volatility. Portfolios' fixed income contributed positively to returns in the month, with longer dated assets outperforming.

Fears of lofty valuations and rising borrowing costs triggered a global rout in AI stocks throughout the month, and Hyperscaler earnings only added to the pressure in the final week. This fed through to weakness in the 'picks and shovels' investments that have benefited from the buildout of data centres. We have been increasingly cautious on these names, including semiconductors, which we trimmed in recent rebalances.

This sell-off resulted in a rotation into more defensive sectors, including consumer staples, utilities and healthcare. UK equities logged their first gain in three months, aided by their healthcare weighting and limited technology exposure. This was reflected in portfolios, with Janus Henderson UK Responsible Income, Schroders Global Sustainable Value and Polar Capital Healthcare Opportunities returning +3.41%, +2.90% and +2.47% respectively.

European equities also rose despite a late sell-off, supported by strong mid-month earnings. Banks were the focus of the earnings season, with results helped by a surge in equities trading. We have no direct regional Europe exposure, which is instead gained through global allocations. Asian equities fell sharply, with the tech-focused regions notably hit by the weakness in AI, particularly in Korea (-16.19%). UBAM Positive Impact EM fund, for example, declined 8.97%.

The US midterm elections have just taken place and as we write, the Democrats have had a strong showing and now control both chambers. Risk assets have rallied, particularly clean

energy given the Democrats' policy support for the sector; First Solar, for example, is up 11.11% so far in November (to 4 November).

The Bank of England met on 5 November and raised rates as expected, with the benchmark interest rate now 4%. We expect volatility to persist as oil prices and yields remain high, and investors question AI returns. As a result, we continue to favour diversification across sectors and regions.

Model Portfolio transactions in the month:

There were no changes made to the portfolios during the month.

Performance:

Funds MPS	October 2026
Defensive	0.97%
Cautious	0.47%
Balanced	0.15%
Balanced Growth	-0.2%
Growth	-0.61%
Adventurous	-1.59%

MPS Stock pick feature

SPIE is the independent European leader in multi-technical services in the areas of energy and communications. With 55,000 employees, SPIE works alongside its customers to drive the energy, digital and industrial transitions. As a key player in decarbonisation, the Group delivers efficient and innovative solutions across the economy. As a provider of innovative green solutions, SPIE supports its customers in the design, maintenance and operation of their energy and digital networks. Their shared objective is to fight climate change and adapt the living environment by accelerating the environmental transition.

Fund House Meetings

During October we met with Liontrust, FSSA, Vert, WisdomTree, VL Kempen, Franklin Templeton & Nordea.

Ethical News

Nature is making a comeback, but the world must move faster to meet restoration targets, a UN report showed. Published in late October, the report found that 252 million hectares across 149 countries are being restored, creating more than one million green jobs – the largest documented global restoration effort to date. To reach 2030 commitments, action must rapidly increase with a particular focus on freshwater, marine and coastal ecosystems, and annual restoration finance must more than quadruple. This investment could generate up to an estimated 32 million new jobs worldwide by 2030.

The UK's largest solar power system installed on a single continuous roof is set to be built at a factory in Bridgwater, Somerset. More than 18,000 solar panels will be installed

at Refresco's manufacturing site on the edge of the town, creating a system expected to generate around 7.5GWh of renewable electricity every year.

Zero-emission boiler company Luthmore has secured £4.5m of funding, announced in late October, to roll out its flagship Luthmore One, billed as the world's first battery-enabled, zero-emission boiler and positioned as an alternative to heat pumps.

Orangina and Ribena maker creates a €185m Climate Transition Plan. Drinks giant Suntory Beverage and Food Europe have revealed plans to invest €185m in a wave of decarbonisation projects between 2027 & 2030, as it works to deliver on its goals to slash emissions by 2050. The agricultural sector accounts for around a third of global greenhouse gas emissions, and as a leading food and beverage manufacturer, the company recognises the important role their sector can play in supporting a lower-carbon, more resilient future.

SmartestEnergy, has signed a long-term **biomethane offtake and environmental products agreement** with Zenco Group, a UK-based marine renewable gas developer, to support a new bioenergy development project. SmartestEnergy are a renewables-focused energy company helping independent generators and businesses navigate the energy transition. The facility which combines established anaerobic digestion technology with scalable seaweed-based feedstock, is expected to produce up to 420GWh of renewable gas annually, with commercial operations currently scheduled to begin in 2028. The development will be delivered in two phases: the first will focus on producing biomethane for injection into the gas grid, while the second will introduce renewable fuel production, allowing it to switch between biomethane and renewable fuels. Once fully developed, the project is expected to become one of the largest renewable gas and renewable fuels facilities in the UK.

Glossary

Term	Definition
Anaerobic digestion:	A process where bacteria break down organic material without oxygen, producing a gas that can be used as renewable energy.
Biomethane:	A renewable gas made from organic matter that can replace natural gas in the gas grid.
Brent Crude:	The main global benchmark for oil prices.
Consumer staples:	Companies selling everyday essentials, such as food and household goods, that people buy regardless of the economy.
Defensive sectors:	Sectors whose earnings tend to hold up in downturns, such as utilities, health care and telecoms.
Gilt:	A bond issued by the UK government.
GWh (gigawatt-hour):	A unit of energy equal to one million kilowatt-hours.
Hyperscalers:	Large technology companies, such as Amazon, Microsoft and Alphabet, that run huge cloud computing and data centre networks.

Offtake agreement:	A long-term contract to buy a set amount of a producer's future output.
Picks and shovels:	Companies that supply the equipment behind a boom rather than competing in it directly.
Yield:	The income return on an investment. For bonds, yields rise when prices fall.
Yield curve (short end / long end):	A line showing bond yields across different lengths of time; the short end covers bonds maturing soon, the long end those maturing in many years.

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