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EVERYTHING ETHICAL MONTHLY NEWSLETTER – ETHICAL MPS

Everything Ethical Newsletter – September 2026

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Market Commentary

September was characterised by a sharp repricing in global government bond markets. Despite promising reports of Middle East oil flows nearly reaching pre-war levels, the risk premium remains with elevated oil prices. The central bank moves provided no support as the Federal reserve raised rates for the first time since 2023, prioritising inflation over growth as expected. The European, Japanese and Australian central banks also raised interest rates. The Bank of England held, but three of its nine members voted for a hike. Headline inflation moved higher on energy costs whilst activity data remained resilient, with US and eurozone PMIs at multi-year highs.

The US 10-year yield reached its highest level in over 20 years. UK Gilts followed suit with the 30-year approaching 6% for the first time since 1998, as fiscal concerns ahead of the October Budget added to the pressure. Japanese and German yields also reached multi-year highs, and credit markets weakened too, with global high yield spreads widening. Our shorter-dated positions helped shield portfolios from some of the weakness, with Edentree Sustainable Short Dated retuning -0.46%, with T Rowe Price Global Impact Credit falling -2.42%, and Rathbone Global sustainable bond fund declining -2.61%.

Equities held up better than bonds, but still fell modestly in September. After initially rallying after the Fed's hike, gains faded as yields pushed higher through the second half of the month. Market breadth deteriorated sharply; a US index fell just 0.3% whilst its equal-weight counterpart fell 4.8%. Technology and Communication Services (dominated by the Magnificent 7 names) were the only sectors with gains, while the remaining declined. We saw weakness amongst core holdings, with JH Global Sustainable Equity falling -1.76%, whilst more tech focussed T.Rowe Price US Impact Equity rose +1.26%.

Regional performance diverged, with the US and technology-heavy Asian markets outperforming. European equities fell, with Germany and France weakest due to their sensitivity to higher energy prices, rising bond yields and fiscal uncertainty. UK equities declined, but were broadly cushioned by a larger oil & gas weighting, which we are unable to capture given portfolio screening. Japan was mixed, with the tech focussed index up on semiconductor strength but a broader Japanese basket fell as the Bank of Japan's rate hike weighed on rate-sensitive companies. Emerging markets were also a mixed bag, with Taiwan and South Korea rising on chip and memory demand, whilst China and India lagged on weak domestic data and higher oil prices. Abrdn EM SDG Equity rose 1.14%, whilst Aikya Global EM fell -3.14% with a heavier focus towards India and diversification away from the technology sector.

Earnings remained the key support for equities with continued AI-related company strength. Below, the picture was more mixed with consumer-facing companies struggling, whilst luxury and travel demand stayed resilient, pointing to a K-shaped economy. More defensive sectors such as Healthcare and Water & Waste suffered from rotation into the AI-related names, with the portfolio's healthcare exposure Polar Capital Healthcare Opportunities falling -6.52%, particularly weak following uncertainty over US drug tariffs.

Elsewhere, gold fell more than 6% over the month on higher yields and a stronger dollar, which also saw property and infrastructure come under pressure as rate sensitive assets.

Looking ahead, with yields rising, investors will demand continued earnings growth to justify valuations, and the upcoming quarterly earnings season will be key for sentiment. We expect volatility to continue amid heightened political risk on the continent, with the UK's Budget later in the month, and in the US with midterm elections approaching.

Model Portfolio transactions in the month:

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

Performance:

Funds MPS	September 2026
Defensive	-1.43%
Cautious	-1.38%
Balanced	-1.24%
Balanced Growth	-1.11%
Growth	-1.06%
Adventurous	-0.91%

MPS Stock pick feature

Marimekko is a Finnish lifestyle design company renowned for its original prints and colours. Their product portfolio comprises high-quality clothing, bags and accessories as well as home décor items ranging from textiles to tableware. They want to be a forerunner in developing their products and practices throughout the value chain, for instance, by extending the lifespan of their products and increasing the use of organic and recycled materials. They advance sustainability in their products for people and the planet, building on the work of previous strategies. Their planet focus area consists of efforts to mitigate climate change, safeguard biodiversity and use resources wisely in their own operations and across value chains.

Fund House Meetings

During September we met with Aegon, JanusHenderson, Lombard Odier, M&G, Algebris, Schroders, Vontobel, Rathbones, Edentree, Aberdeen & Robeco.

Ethical News

Swiss glaciers lost over 5% of their ice volume following a hot summer and at least two disappeared altogether, an acceleration of melting that threatens the tourism lifeblood of Alpine communities. Lack of snowfall in winter and abnormally high temperatures over the summer caused a retreat just shy of the record year of 2022, bringing the glacial loss in the

Swiss Alps to nearly 20% over the past five years, according to data from the glacier monitoring network GLAMOS and the Swiss Academy of Sciences. “There’s a doubling of ice losses over the past five-year period,” said Matthias Huss, a glaciologist and the head of the GLAMOS network. “We didn’t expect to see such a huge loss, especially not so concentrated in time — it’s much faster than the scenarios indicated.”

Linked to the above **the European Central Bank’s top climate official says a pattern is emerging whereby the cumulative impact of extreme weather shocks is morphing into its own risk category.** There is a “chronic impact that is slowly surfacing,” Irene Heemskerk, head of the Climate Change Centre at the ECB, said in an interview. “It can lead to second-round effects and value chain disruptions or even hitting the productivity of people.” It’s a similar warning to one recently offered by an executive at BlackRock Inc., as so-called chronic climate risk draws increasing attention. The phenomenon describes a world in which the financial and economic losses tied to acute weather shocks such as floods, wildfires or droughts keep recurring at a pace that makes it ever harder to guard against them in future.

The Hormuz conflict is reshaping global energy markets in 2026, with coal demand now expected to rise 1.2%. This reverses earlier forecasts for declines and is being caused by higher gas prices, a strong El Niño, and weaker hydropower, while oil and gas demand has fallen sharply. Despite higher coal use, Carbon Brief expects the steep drop in oil and gas consumption should still lower overall fossil fuel emissions this year, and a prolonged conflict raises the risk of lasting "oil demand destruction." At the same time, high fuel prices and instability are accelerating clean energy adoption, with EVs reaching record market shares across Europe, China, Australia, Indonesia, and Thailand. As Leif Wenar discusses in his book Blood Oil (2015), natural resources, including minerals, is the largest source of unaccountable power in the world. Shifting to renewables offers an opportunity to live more sustainably, but also to avoid reliance on certain regimes and power struggles created by natural resources.

Above-average rainfall is needed across England for the next seven months for all areas to recover from drought by spring 2027, according to new research. The Environment Agency (EA) stated that despite some wet weather during the first half of September, almost three-quarters of England remains in drought following an exceptionally dry spring and summer as well as a succession of heatwaves. It says around 120% of typical rainfall is needed between now and April for all areas to be considered out of drought. Even under the most likely rainfall scenario - which predicts a wetter autumn than normal based on the latest Met Office forecasts - Devon and Cornwall and East Anglia could still be in drought by the start of spring 2027. Other predictions suggest there is also roughly a one-in-four chance that around half of England will still be in drought next spring, but currently only a 1% chance of a severe drought in the coming months.

Circ®, a global leader in textile-to-textile recycling, has announced a formal partnership with international fashion retailer Primark to introduce recycled polyester made from textile waste into Primark clothing, marking a significant step towards bringing this next-generation material to Primark customers at both scale and an affordable price in 2029. This move supports Primark's efforts to scale the use of circular materials and reduce reliance on virgin polyester in its clothes. It will be Primark's first multi-year offtake agreement with a textile-to-textile recycler.

New rice varieties are giving hope that farmers can overcome the climate emergency and a warmer future that threatens harvests. Hinatamaru is one of growing number of heat-resistant rice varieties that are giving fresh hope to farmers across Japan that they can overcome a climate emergency that is threatening the country’s staple crop.

The UK government plans to heat around 750,000 homes as part of a new £90 million project that will include supplying hot water heated by data centres. The Department for Energy Security and Net Zero (DESNZ) is funding the building of new heat networks and improving existing infrastructure to pipe hot water from data centres across parts of London, including under the Thames. The initiative is part of a national project to reduce heating bills, with London, Manchester, Newport and Abergavenny in Wales, Solihull in the Midlands, and Bradford in Yorkshire all benefitting. Similar waste-heat projects have been running in Copenhagen, Amsterdam, Vienna, and Berlin for several decades. In London alone, 650,000 homes will benefit, although the project has drawn ridicule for the cited use of “electric barges” to transport hot water 25 kilometres along the River Thames, while the subterranean pipe system is installed.

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