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MONTHLY NEWSLETTER

Everything Ethical Newsletter – March 2026

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Market Commentary

The conflict in Iran dominated financial markets in March, with news headlines around it driving market movements on a daily basis. The general sentiment for the month was risk aversion, with equities seeing a significant sell-off, with regions susceptible to higher energy prices slumping the most. This included the UK, Europe, and Japan within developed markets, whilst Emerging Markets were also under pressure, exacerbated by a strengthening U.S. dollar. Thematics that had been in favour up until the outbreak of conflict, such as grid electrification and water & waste, were quickly under pressure, giving back recent gains.

The increase in expectations for inflation as a result of the conflict, driven by a higher oil price in particular, saw bond yields rise across the curve and globally. These expectations are driven by the material importance of the Strait of Hormuz, a critical global chokepoint for energy, as well as fertilisers, helium and vital chemicals which will continue to have inflationary effects even after a settlement is achieved. We recently released an article, 'Navigating Confusion and Uncertainty' which goes into these effects in more detail.

At its peak, markets priced in 3 interest rate increases by the Bank of England (BoE) by the end of the year in response to the inflationary impacts of the conflict. This sentiment began to shift towards the end of the month, with markets increasing their focus on the economic impacts instead as, prior to the conflict, the global economy was seen as slowing down, with job markets weakening and interest-rate cuts expected. These trends have only been exacerbated by the conflict, and financial conditions have tightened with rising borrowing costs, making interest rate rises in the current economic conditions seemingly implausible.

Whilst weak across the board due to the rise in yields, portfolios shorter dated fixed income allocations held up relatively well, with AXA Green Bond Short Duration and HSBC Sustainable Development Bank Bond returning -1.18% and -1.19% respectively. As a comparison, the longer dated Aegon Global Sustainable Sovereign bond fund returned -2.52%, with portfolios credit funds displaying similar returns in the month.

Global equity allocations detracted from -6.12% for Schroders Global Sustainable Value to -8.72% for the Janus Henderson Global Sustainable Equity fund. Portfolios regional allocations to Emerging Markets and the UK were notably weak, with the Aberdeen Emerging Markets SDG Equity fund returning -10.02% whilst the Liontrust Sustainable Future UK Growth fund returned -8.90%. We continue to favour a diversified regional allocation, but a prolonged war does raise major questions over susceptible regions at a time economic growth was already coming under question.

This was a similar case for the thematic allocations, with water and waste a notably detractor, with the Regnan Sustainable Water and Waste returning -8.69% in the month. Polar Capital Healthcare Opportunities recovered into month end to return -5.04%.

Disruption to oil & gas, and growing concerns over energy security, has only strengthened the investment case for green technology. Despite equity market disruption, leading renewable energy companies were supported during the month and we expect energy security to support a renewed focus on clean supply. For example, offshore wind operator Orsted returned +3.45%, Brookfield Renewables returned +4.23%, and wind turbine manufacturer Vestas Wind Systems returned +16.43%.

Post month-end comment:

Risk assets have rallied strongly so far in April, rebounding on hopes that a ceasefire deal between the US, Israel and Iran will lead to a longer-term deescalation in tensions and the opening of energy flows through the Strait of Hormuz. This has sent energy sharply lower with reports Qatar will begin operations at its major LNG plants, providing resumption in a much dependable energy source.

However, the safe transit of ships through the strait has already come under question, highlighting the fragility in the truce and sending risk assets marginally lower once again. Although news that the US had asked the Israelis to tone down the strikes on Lebanon and the Israelis subsequently saying that they would hold direct talks with Lebanon helped remove some of the nervousness around the ability of this ceasefire to hold.

Whilst the oil and gas sector has seen share price gains alongside the higher oil price, it is becoming increasingly apparent that the disruption may not be as large a windfall for some majors, given the impact on operations and costs related to repairs. In some cases, it’s been reported these repairs are years rather than weeks to implement.

The longer-term implications are inflationary but relative economic resiliency could support risk assets beyond this crisis, notably in areas our portfolios are exposed to, such as grid electrification, energy efficiency and security, as well as the related AI build out that appears to be showing no major signs of cracks.

Model Portfolio Transactions in the Month

There were no changes to portfolios during the month.

Performance

SAS MPS	March 2026
Defensive	**-3.39%**
Cautious	**-4.49%**
Balanced	**-5.21%**
Growth	**-6.58%**
Adventurous	**-7.53%**

MPS Stock pick feature:

Experian is a global credit reporting and data analytics company that helps consumers and businesses manage credit, assess financial risk, and protect against fraud. By improving access to financial services, they empower people to unlock opportunities and transform their lives. Millions of people around the world are excluded from basic financial services. Many of whom are the most vulnerable in society. Experian help them gain access to credit and improve their financial wellbeing, enabling families to transform their lives, whether in home buying, healthcare, education or entrepreneurship, and supporting economic growth. They focus on improving financial literacy and confidence, helping people manage their financial lives, and preventing fraud and identity theft.

Fund House Meetings:

During March we met with UBAM, First Trust, Regnan, Man Group, Guinness, Carmignac, Vert AM, Federated Hermes, Natixis, Alquity, Resolution Capital, FSSA & Nedgroup Investments.

Ethical News

The UK's Climate Change Committee (CCC) has delivered a clear message: shifting to a low-carbon economy is an economic necessity, especially as the war in Iran drives oil prices toward $120 a barrel. While some politicians fear the costs of "Net Zero" could be ruinous, the CCC argues that the investment is a bargain. Spending an average of £4bn annually, which is 0.2% of GDP, could unlock yearly savings of £222bn through better energy efficiency. Furthermore, every £1 spent on green initiatives is expected to return up to £4.10 in benefits by avoiding the catastrophic costs of extreme weather, which could otherwise drain up to 10% of the UK's GDP by the end of the century.

European car buyers are ditching petrol for plugs, with electric vehicle (EV) sales surging thanks to new subsidies and more affordable models. In February 2026, EV demand jumped by 27% in Germany and 28% in France, even as traditional engine sales plummeted. Chinese brands like BYD are leading the charge, collectively outselling Tesla in recent months. However, analysts warn that the escalating conflict in the Middle East could stall this momentum. Rising inflation and economic uncertainty linked to the war may dampen consumer confidence, potentially causing a 4% dip in car sales this year as households pull back on big-ticket purchases.

New research suggests we have significantly underestimated the threat of rising oceans due to a massive "interdisciplinary blind spot" in scientific modelling. Rather than using direct local measurements, previous studies relied on gravity-based models that missed the impact of winds and currents. The result? Global sea levels are actually 30cm higher than previously thought, with discrepancies reaching up to 150cm in parts of Asia. This correction means that 37% more coastal land is currently at risk, potentially displacing 132 million people much sooner than international climate reports had originally projected.

Global air quality took a hit in 2025, with only 14% of cities meeting international health standards. A toxic mix of record-breaking wildfires and industrial emissions has created a crisis that is now costing the global economy up to $6.1 trillion annually, around 6.5% of total GDP. Beyond the balance sheet, the health impact is staggering; experts warn that poor air quality is reducing IQs and physical productivity in the workforce. While some regions are tightening rules, the report notes a worrying trend in the US, where environmental protections are being rolled back to lower consumer costs.

The war in the Middle East is proving to be a powerful catalyst for clean energy investment. **Experts and tech giants like Microsoft argue that volatile oil and gas prices have made "fuel flexibility" a matter of national security rather than just environmental policy.** While Europe still imports 90% of its fossil fuels, the current price shocks are pushing nations to redouble efforts in wind, solar, and nuclear power to achieve price stability. Even in emerging Asian markets, the risk of being at the mercy of global commodity markets is leading many to abandon liquid natural gas (LNG) plans in favour of domestic solar energy.

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