

EVERYTHING ETHICAL MONTHLY NEWSLETTER

Everything Ethical Newsletter – May 2026

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Market Commentary

Financial markets remained dominated by two key themes in May. The ongoing uncertainty in the Middle East and inflationary pressures resulting from it continue to bring volatility, although to an extent, market participants are now looking past the headlines. More consequential to sentiment has been the insatiable appetite for Artificial Intelligence (AI) which shows no sign of abating, with astronomical sums of money pouring into the infrastructure build-out. Further, hype has been increased by the announcement of huge IPOs including SpaceX, Anthropic and OpenAI, pushing equity markets higher, with a global equity index returning +5.48% in the month.

The acceleration in the AI narrative saw semiconductor stocks deliver another standout monthly performance, extending the rally that has defined this year. Investors remain encouraged by robust AI spending plans from major technology companies, alongside tight supply conditions, which is improving earnings expectations across the semiconductor value chain. Even areas that had suffered dramatically from AI disruption staged a strong rebound, notably cybersecurity. The RobecoSAM Circular economy fund was a standout performer in the month yet again, returning +10.28%, benefitting from the funds semi exposure which it had built during the weakness in March.

Many of the companies receiving the economic benefit of the AI investment cycle are located in Emerging Markets (EM), and this has been one of the drivers of strong returns in the region. At the end of April, it was announced that Taiwan and South Korea's total stock market capitalisation had surpassed that of the UK. Semiconductors have been the force behind this, with Taiwan Semiconductors and SK Hynix global leaders. Funds exposed to the region performed strongly, for example, the abrdn Emerging Markets SDG Equity returned +10.93%.

EM is also supported by attractive relative valuations, improving domestic dynamics and moderate investor positioning compared to developed markets. Further, the longer-term trend of de-dollarisation is also a boost to Emerging Market economies, and we remain positive to the region.

The proposed strike of Samsung Electronics' workers has been an interesting dynamic, as workers demand an increasing share of the huge profits the company has made. Going further than this, a South Korean policy maker proposed an AI dividend policy, whereby the excess tax revenues from domestic companies benefitting from AI should be redistributed to the country's citizens. Perhaps a sign of things to come as AI continues to fuel economic growth whilst at the same time causing a reduction in jobs.

Elsewhere, the AI capex spending story continued to support other portfolio winners so far this year, with the build out of datacentres supporting grid and electrification names. Clean energy had a mixed month, after several months of strong performance on the back of increasing energy demand expectations. US solar was supported by rumours of upcoming tariff changes which would benefit US manufactures. First Solar, for example, rose +53.21% during the month.

UK political risk was heightened during the month as the local elections played out broadly as expected. The fallout remains to be settled, with a leadership challenge on hold until a by-election in June which could determine who will ultimately end up in number 10. In practice, this saw large moves in the UK bond market; the UK 10-year bond yield reached 5.19% in the middle of the month, the highest level since before the Great Financial Crisis. This then fell dramatically in the second half of the month to close around 4.82%, as various candidates pledged to stick to fiscal rules. Whilst our positioning within fixed income is more global, we prefer the shorter-end of the yield curve (4-5yrs).

Model Portfolio Transactions in the Month

There were no changes to portfolios during the month.

Performance

SAS MPS	May 2026
Defensive	2.02%
Cautious	2.87%
Balanced	3.42%
Growth	4.59%
Adventurous	5.74%

MPS Stock pick feature:

Mercado Libre is the largest e-commerce ecosystem in Latin America and one of the region's leading fintech platforms, with operations in 18 countries reaching over 650 million people. Through technological, financial and logistics solutions, they promote the growth of digital commerce, financial inclusion and economic development. Reports show that 55% of SMEs selling on Mercado Libre rely on the platform as their primary source of income and, collectively, these businesses have generated 150,000 new jobs associated with the marketplace.

Fund House Meetings:

During May we had meetings with Aberdeen, RM and Janus Henserson for updates on relative investment opportunities.

Ethical News

Record-breaking heat and drought have fuelled the world's worst ever start to a wildfire year, as climate change and a developing El Niño threaten to push extreme weather to new heights. Over the first four months of this year, more than 150 million hectares (579,150 square miles) was burned, according to satellite estimates from the Global Wildfire Information System. That's an area nearly the size of Alaska and roughly double the seasonal average for



this period. "This rapid start, in combination with the forecast El Niño means that we're looking at a particularly severe year," said Theodore Keeping, an extreme weather and climate researcher at Imperial College London. This year's early season wildfires have overwhelmed fire crews in Argentina, Chile and Japan, while fuelling historic blazes in the US and Southeast Asia. The fire surge is a symptom of a broader trend of extreme weather that's expected to worsen this year. Heat waves are likely to put further pressure on agricultural systems and global supply chains for food, while higher cooling demand could compound the energy shock from the Iran war, scientists say.

A steam railway in Kent has installed rooftop solar panels to cope with rising energy costs. The Romney, Hythe and Dymchurch Railway fitted panels to two engine sheds, its cafe and its exhibition hall at New Romney station, as well as its restaurant at Dungeness station. Kent Community Energy, the group behind the project, estimated the scheme could cut up to £18,000 from the miniature heritage railway's annual energy bill. Railway general manager Stuart Ross said that running costs had "increased hugely" in recent years because of "spiralling energy costs". The solar panels are forecasted to generate 110,000 kWh per year, according to Kent Community Energy.

Electrolux's sustainability report for 2025 confirms it has met its Scope 1, 2 and 3 emissions reduction targets five years ahead of schedule. Electrolux claims to have made "substantial progress" in slashing emissions across its business and wider supply chain, announcing last month that it has already achieved its 2030 targets five years ahead of schedule.

Burger King restaurants up and down the UK are soon set to be partly powered by renewable electricity from an onshore wind farm in Dorset, under a new offtake deal announced in May with Evolve Energy. As part of the corporate power purchase agreement announced on Wednesday, Evolve Energy has arranged for Burger King UK to be supplied with 17GWh per year from its Alaska Wind Farm at Masters Quarry.

Loganair and ClimaHtech Green Flight announced a 15-year Sustainable Aviation Fuel (SAF) offtake agreement, supporting the long-term decarbonisation of regional aviation in the UK. Under the agreement, Loganair intends to offtake SAF for a period of 15 years. The SAF will be produced using ClimaHtech Green Flight's advanced technology pathways, including BioSAF (Power-Biomass-to-Liquid) and eSAF (Power-to-Liquid). ClimaHtech Green Flight's technology enables decentralised SAF production that can utilise waste biomass feedstocks and flexibly operate alongside intermittent renewable power sources through its proprietary technology.

The UK's last coal-heated hospital completed its switch to clean energy. The £34.8m decarbonisation programme at Nottingham City Hospital has cut 16,000t of carbon and delivered £1.4M in annual energy savings. The two-phase decarbonisation programme has brought coal-fired heating to an end across the UK's NHS estate, with the completion of a major energy transformation at Nottingham City Hospital. The project was delivered by Vital Energi. The firm replaced the hospital's ageing coal and gas boiler infrastructure with a new energy centre, as well as installing air source heat pumps, solar PV panels and a comprehensive LED lighting upgrade of over 6,600 fittings.

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