EdenTree Green Future Fund

Q2 2024 Commentary

PERFORMANCE

	3 Months	6 Months	1 Year	ITD*
Fund (B Class)	0.8%	5.9%	10.4%	13.6%
MSCI ACWI Net TR GBP**	2.8%	12.2%	20.8%	29.8%
IA Global	0.7%	8.7%	14.9%	17.9%
Sector Quartile	3	3	3	3

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested.

MARKET REVIEW

Over the second quarter of 2024, global equities extended their move higher, although the pace of gains slowed with the MSCI ACWI Index delivering a total return of 2.8% in sterling terms. In a continuation of its recent trend, market performance was primarily driven by the returns of the technology-aligned “Magnificent Seven”, as well as a narrow list of mega-cap stocks in Europe. Hopes for an imminent interest rate cut in the US were quashed by inflation remaining stubbornly persistent. However, easing inflation in Europe enabled the European Central Bank (ECB) to initiate a rate cut at the end of the period. The ECB’s move was overshadowed by heightened political risk in June following a better-than-expected result for the far right in the European parliamentary elections which then prompted French President Macro to call a snap election in France. European markets retreated amid concerns that Marine Le Pen’s far-right National Rally party could capture a majority

In a momentum-driven market, technology continued to lead sector performance driven by ongoing excitement around AI, while value extended its underperformance versus growth and quality. The technology-heavy US indices outperformed other regions, while Europe – notably France – and Japan underperformed.

PERFORMANCE & ACTIVITY

The EdenTree Green Future Fund returned 0.8% over the second quarter of 2024, underperforming the MSCI ACWI Net TR Index but modestly outperforming the IA Global peer group. A feature of the Fund’s benchmark underperformance related to its lack of direct exposure to the strongly-performing areas of the markets which are outside the scope of the Fund as they do not produce material environmental solutions. While this was disappointing in the short term, it does not change our long-term investment focus. The Fund retains its breadth and diversification across multiple themes, sectors and geographies meaning it generally continues to perform well against more concentrated peers in the environmental and climate solutions space.

While the Fund doesn’t have exposure to the US mega-cap technology complex, it has a weighting of roughly 19% in the technology sector which includes innovative businesses providing vital technology for the green revolution. Some of these holdings, such as Applied Materials and NXP Semiconductors, were significant contributors over the quarter. Additionally, several of the portfolio’s holdings connected to the infrastructure around alternative energy performed well. This included Prysmian, an Italian company that specialises in the production of electrical cable for use in the energy and telecom sectors and for optical fibres. Rather than moving higher on specific company newsflow, we believe the long-term structural opportunities around the importance of energy infrastructure to the future growth of renewables are being rewarded by the market. Similarly, companies facilitating the transition to a more circular economy also performed well. US industrial waste company Clean Harbours, which focuses on recycling engine oil, was a key contributor over the quarter.

Offsetting these strong contributors was Lattice Semiconductor, which bucked the technology rally on the departure of its CEO. We also witnessed a slowdown among some industrial cyclical companies in the US in response to weaker economic data, those involved in energy efficiency and water experienced some weakness during the period. Some of the Fund's French holdings, such as Veolia and Schneider, were caught up in market concern about the shock election. Nerves about the forthcoming US presidential election also emerged at the end of the period following President Biden's poor performance at the first presidential debate, which generated fears that long-term support for US infrastructure could wane under a second Trump presidency.

OUTLOOK

As we enter the second half of the year, market focus will continue to remain on the pace and scale of interest rate changes, most significantly in the US. Economic data for the world's largest economy has started to indicate a slowdown and while inflation has remained stubbornly persistent, it is starting to trend lower. This suggests the Federal Reserve could follow the ECB and commence its rate-cutting cycle, but the number of reductions is likely to be lower than was originally anticipated at the start of the year. This could deliver a dampening effect on the mid- and small-capitalisation orientation of the Fund, by limiting the scope for upward revaluations despite continued earnings growth in many companies.

Outside of the economics sphere, political risk has risen noticeably in recent weeks with elections in Europe, the UK and France and the forthcoming presidential election in the US. In particular, climate and other environmental policies have become politicised battlegrounds in each of these regions. While this could result in some near-term volatility for the companies delivering environmental solutions, particularly in the alternative energy space, we believe the long-term potential of these companies remains intact. For example, renewables still produce energy at the lowest cost, meaning this is not only positive from an environmental perspective but also provides a sound economic option.

That said, we remain mindful of the growing challenges in the environmental solutions space and therefore seek to ensure that the Fund remains diversified across our seven core themes of Alternative Energy, Energy Efficiency, Circular Economy, Environmental Services, Water Management, Future Mobility and Regenerative Agriculture, thereby ensuring that the portfolio is not over-exposed to any one individual theme. In addition, we maintain a clear eye on company and management quality, as well as valuation, through an investment approach we call: "green at a reasonable price".

PERFORMANCE DISCRETE	12 Months to 31/06/2020	12 Months to 31/06/2021	12 Months to 31/06/2022	12 Months to 31/06/2023	12 Months to 31/06/2024
Fund (B Class)				13.4%	10.4%
MSCI ACWI Net TR GBP**				13.5%	20.8%
IA Global				10.8%	14.9%
Sector Quartile				2	3

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested.

Past performance is not necessarily a guide to future returns.

*Inception: 24 Jan 2022
**The MSCI ACWI GBP Net Total Return Index was adopted as the Fund's comparative benchmark on 1 January 2024, replacing the FTSE World TR GBP. As the Fund invests globally in companies whose products address environmental and sustainability challenges, we compare the Fund's performance to the MSCI ACWI GBP Net Total Return Index. The portfolio manager is, however, not bound or influenced by the index when making investment decisions and the fund's holdings may deviate from the benchmark's constituents.

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A full explanation of the characteristics of the investments is given in the Key Investor Information Document (KIID). Any forecast, figures, opinions statements of financial market trends or investment techniques and strategies expressed are unless otherwise stated, EdenTree Investment Management's own at the date of this document. They are considered to be reliable at the time of writing, may not necessarily be all-inclusive and are not guaranteed as to accuracy. There is no guarantee that any forecast made will come to pass.

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