

EdenTree Green Future Fund

Q3 2024 Commentary



PERFORMANCE

	3 Months	6 Months	1 Year	ITD*
Fund (B Class)	2.4%	3.3%	16.4%	16.4%
MSCI ACWI Net TR GBP**	0.5%	3.3%	20.5%	30.5%
IA Global	0.2%	0.9%	16.4%	18.1%
Sector Quartile	1	1	3	3

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

MARKET REVIEW

Over the third quarter of 2024, global equities modestly extended their move higher. However, the MSCI ACWI Index's total return of 0.5% in sterling terms masks the high level of volatility that markets experienced – particularly in the middle of the period. After a strong start, markets were unnerved by some disappointing earnings – notably among the outperforming “Magnificent 7” stocks – that were then exacerbated by a weak US jobs report that raised concerns that the US economy may be heading for a recession. On top of that, an interest rate hike by the Bank of Japan prompted a significant unwinding of the yen carry trade and the overall risk-off mood not only saw global equities sell-off sharply, but the VIX measure of volatility reached its highest level since March 2020. A recovery ensued, supported by dovish central bank pivots – including a 50bps cut from the Federal Reserve – and most equity markets ended the period in positive territory.

PERFORMANCE & ACTIVITY

The EdenTree Green Future Fund jumped 2.4% over the third quarter of 2024, significantly outperforming both the MSCI ACWI Net TR Index and the IA Global peer group. In a reversal of recent trends, a key feature of the Fund's outperformance related to a broader market rotation out of larger cap stocks into mid and smaller cap stocks. In addition, its lack of direct exposure to some influential areas of the markets – such as technology and oil-related areas – proved to be beneficial as these sectors underperformed during the quarter.

While the Fund doesn't have any direct exposure to technology – as such companies are not considered to produce material environmental solutions – it does invest in companies that enable technology, particularly in the sphere of energy efficiency. And some of these holdings were significant contributors over the quarter. In particular, positive earnings guidance from Regal Rexnord – a manufacturer of power generation solutions – was better than expected and the company's new strategic initiatives were well-received. Lighting and building management firm Acuity Brands also posted materially better than expected results. Within the circular economy theme, Brambles – which specialises in the provision of reusable pallets – spoke positively about the improving sustainability of global logistics networks and supply chains. Our differentiated approach to the alternative energy theme also proved positive for performance. Rather than investing in the providers of solar and wind energy, which have struggled amid competition from China and geopolitical headwinds, we have focused on the providers of supply solutions which often have more diversified business models and are not solely reliant on the successful deployment of a specific energy solution.

Offsetting these strong contributors was the future mobility theme. The automotive sector has struggled over the last year as it tries to work through excessive levels of inventories and many of the key auto names in Europe and the US lowered their earnings guidance for the year, which had a knock-on effect on the supply chain, including holdings such as NXP Semiconductors, Infineon and Aptiv. In addition, some of the Fund's technology-related positions, including Applied Materials and Cadence, were caught up in the broader rotation out of the sector and concerns around tariffs between the US and China.

EdenTree Green Future Fund

Q3 2024 Commentary



In terms of portfolio activity, we have taken profits from some of the aforementioned positive contributors which have delivered a sustained period of outperformance. We also divested our position in Sensata Technologies in light of the ongoing challenges for the auto industry. We used some of these funds to top up our holding in Cadence – a provider of software to the semiconductor sector with a long-standing track record of outperformance, which was caught up in the indiscriminate technology selling during the quarter. We also strengthened the Fund’s cash position while we await the right entry point to introduce new high-quality companies into the portfolio.

OUTLOOK

Looking ahead, we are mindful of the market’s focus on central bank activity, the growing geopolitical tensions in the Middle East and the upcoming US presidential election and, consequently, expect heightened levels of volatility to persist over the coming months. That said, we do not expect these factors to alter the long-term narrative driving society’s push towards a just and environmentally-efficient future. Given the tight race for the White House, we feel it is unlikely that either side will achieve a dominant position by securing both legislative houses and therefore believe the impact will be fairly muted. In particular, despite much noise to the contrary, we do not expect to see any material changes to the current set of infrastructure packages as these are very jobs- and US supply chain-focused, and positively play into our areas of focus.

When building our portfolio, we maintain a focus on high-quality, well-capitalised companies, with durable competitive advantages that positively address environmental themes. We believe such companies will hold up better in this ongoing environment of elevated borrowing costs and should be less vulnerable to any unexpected changes in central bank activity. We also seek to ensure that the Fund remains fully 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.

PERFORMANCE DISCRETE	12 Months to	12 Months to	12 Months to	12 Months to	12 Months to
	30/09/2020	30/09/2021	30/09/2022	30/09/2023	30/09/2024
Fund (B Class)				6.5%	16.4%
MSCI ACWI Net TR GBP**				12.2%	20.5%
IA Global				7.7%	16.4%
Sector Quartile				3	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.

EdenTree Green Future Fund

Q3 2024 Commentary



This document has been prepared by EdenTree Investment Management Limited for Financial Advisors, other intermediaries and other investment professionals only. It is not suitable for private individuals. This document has been produced for information purposes only and as such the views contained herein are not to be taken as advice or recommendation to buy or sell any investment or interest thereto.

Please note that the value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations, you may not get back the amount originally invested. Past performance is not necessarily a guide to future returns.

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.

For further information please speak to your normal EdenTree representative, visit www.edentreeim.com or call our support team on **0800 011 3821**

EdenTree Investment Management Limited (EdenTree) Reg. No. 2519319. Registered in England at Benefact House, 2000, Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW, United Kingdom.

EdenTree is authorised and regulated by the Financial Conduct Authority and is a member of the Investment Association.

Firm Reference Number 527473.