

EdenTree Green Future Fund

Q4 2024 Commentary



PERFORMANCE

	3 Months	6 Months	1 Year	ITD*
Fund (B Class)	-0.9%	1.5%	7.5%	15.4%
MSCI ACWI Net TR GBP**	6.0%	6.5%	19.6%	38.3%
IA Global	3.6%	3.8%	12.8%	22.3%
Sector Quartile	4	3	3	3

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

*Inception Date 24th January 2022

Data as at 31.12.2024

MARKET REVIEW

The Final quarter of the year was a mixed event for global equities. The MSCI ACWI Index's total return of 7.0% in sterling terms masks the significant currency appreciation of the US dollar, with the Index remaining flat for the period in local currency terms. This outcome also disguises another period of US exceptionalism, with the S&P 500 extending its gains for the year, whereas many other regions posted declines. This shouldn't be a surprise given the US election dominated market sentiment over the period, with the re-election of Donald Trump in early November being well received by markets even though some of his policies – such as tariffs and immigration – are feared to be inflationary. Markets were a little more volatile in December, amid concerns that central banks – notably the US Federal Reserve – were likely to slow the pace of expected interest rate cuts in 2025. Overall, gains were again led by large-cap growth, with the Magnificent 7 outperforming once more.

PERFORMANCE & ACTIVITY

The EdenTree Green Future Fund modestly lost ground in the fourth quarter of 2024, declining by 0.9% and underperforming both the MSCI ACWI Net TR Index and the IA Global peer group. A key feature of the Fund's underperformance relates to its 99% active position against its benchmark, which means it is not exposed to some of the key drivers of the market as they do not fall into its remit of investing in environmental solutions. For example, the Fund is considerably more exposed to smaller companies, therefore the strong momentum among large caps proved to be a headwind. In addition, its lack of direct exposure to technology and oil-related areas proved to be a detractor as these sectors outperformed during the quarter.

Of the Fund's seven core themes, energy efficiency was a strong contributor, benefitting from the growing awareness among businesses that technology and software can help companies improve their environmental footprint. Here, Autodesk, Altair Engineering and Cadence Design Systems were among the Fund's leading contributors. The portfolio's exposure to the water theme also proved positive, thanks to significant US infrastructure spending on water. And the Fund also benefited from a spate of acquisition activity – in the circular economy space International Paper secured approval to takeover DS Smith, and waste and recycling firm Renewi received an offer from Australian investment fund Macquarie. In addition, the aforementioned Altair Engineering was bought by Siemens in November. Another positive for Fund performance came from an area where we hold a strategic underweight: alternative energy. Perceiving that this theme is facing some short and mid-term challenges, including competition from China and geopolitical headwinds, we currently don't hold any positions in the poorly performing solar or wind energy producers. Instead, we focus 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. Out of all of the Fund's themes, future mobility struggled the most. While the Fund has limited exposure to electric vehicles, this sector has become very dominated by China and automakers in the rest of the world have seen waning consumer demand

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impact sales, resulting in excessive levels of inventory. Meanwhile, UK infrastructure was negatively impacted by concerns around the slower pace of interest rate cuts, denting market sentiment towards the sector.

In terms of portfolio activity, aside from the acquisitions already mentioned, there was little portfolio activity during the quarter. This is largely a testament to the Fund's long-term positioning. Our investment approach applies a buy-and-holding strategy, seeking to invest in companies over a three-to-five-year horizon. Any further repositioning generally reflects changes to our thematic views or stems from external activities such as acquisitions.

OUTLOOK

Looking ahead, we are at an interesting point in time while we await President Trump's inauguration and clearer signals about his policy intentions. Since his re-election, we have been busy meeting with US businesses in a bid to gauge their views on his policy agenda, sizing up concerns that a potential rise in inflation on the back of tariffs and tighter immigration policies could weigh on companies sensitive to interest rates and the job market. Conversely, we feel speculation that President Trump will significantly unwind Biden's Inflation Reduction Act may be overblown, as 80% of this funding is targeted at Republican states and any withdrawals of this spending could face resistance from within Trump's own party. Moreover, uncertainty around Trump's policies is prompting companies to optimise their cost base and improve their environmental footprint through technological solutions – a trend we expect to be sustained throughout 2025 and beyond.

More broadly, we will be closely following the glide path for interest rates, which has shifted somewhat since Trump's re-election. This is particularly important for us as many of the companies in our universe – such as renewable energy providers – are interest-rate sensitive as their activities can be quite capital intensive. We are also keen to gauge the latest political temperature on climate change commitments – the latest set of Nationally Determined Contributions (NDCs) are due to be announced in February which will be an important measure of collective ambition and whether this will be diluted. That said, we don't feel that environmental trends are fading. Awareness around the need to tackle climate change continues to grow, as does recognition that demographic themes, such as population growth and rising living standards, are placing an ever-greater strain on the planet's resources. So we remain very constructive the demand for environmental solutions will continue to gain momentum over the long term.

Finally, we are pleased to confirm the Fund has adopted the Financial Conduct Authority's Sustainability Disclosure Requirements (SDR) 'Sustainability Impact' label, which indicates to investors that the Fund invests with an aim to achieve a predefined, positive and measurable environmental and/or social impact. This is an important milestone in recognising how the Fund sees value from an investment perspective alongside the impact we expect to deliver.

PERFORMANCE DISCRETE	12 Months to 31/12/2020	12 Months to 31/12/2021	12 Months to 31/12/2022	12 Months to 31/12/2023	12 Months to 31/12/2024
Fund (B Class)				10.5%	7.5%
MSCI ACWI Net TR GBP**				17.2%	19.6%
IA Global				12.7%	12.8%
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

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the fund's holdings may deviate from the benchmark's constituents.

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

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