

# EdenTree R&S Multi-Asset Balanced

## Q2 2024 Commentary



### PERFORMANCE

	3 Months	6 Months	1 Year	ITD*
Fund (B Class)	1.6%	2.3%	8.5%	-1.83%
IA Mixed Investment 40-85% Shares*	1.7%	5.9%	11.8%	7.13%
Sector Quartile	3	4	4	4

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

### MARKET REVIEW

Risk assets experienced a mixed second quarter. The headline equity advance became even more heavily concentrated on a few mega-cap stocks in the US and Europe, which skewed overall market performance. In Europe, this saw ASML and Novo Nordisk extend their strong run, but the wider European market was impacted by growing economic and political concerns towards the end of the period.

From an economic perspective, initial concerns that inflation might resurface in the US pushed back expectations for interest rate cuts from the Federal Reserve (Fed), although these fears were somewhat quelled when Fed Chairman Powell indicated there were no further rate hikes on the horizon. In Europe, while inflation continued to come down, growth expectations also slowed, leading the European Central Bank to cut interest rates for the first time since the pandemic at its June meeting. However, it also cautioned that domestic price pressures remain strong reflecting elevated wage growth.

Attention switched to the political sphere in June when a better-than-expected performance by the far right in the European parliamentary elections prompted French President Macron to announce a snap election in France. This shock move negatively impacted European markets, particularly in France, with investors pricing in a much higher degree of political risk amid concerns that Marine Le Pen's far-right National Rally party could capture a majority. Politics was also front and centre in the UK, with its general election scheduled for 4 July. Despite polls strongly indicating a change of government, markets were sanguine about this outcome in the belief that Labour would offer a more stable business and economic environment after the Conservative-led market turmoil of recent years. Finally, a poor performance during the first US presidential debate by incumbent President Joe Biden brought the upcoming presidential elections into sharper focus for investors but, as yet, it has not had any significant influence on market direction.

In terms of market performance, the FTSE All-World Index climbed 2.6% during the quarter in sterling terms. In the US, the S&P500 and the NASDAQ added 4.1% and 8.3% in sterling terms. In Europe, the FTSE World Europe Index ex UK returned 0.2% in sterling terms, while the FTSE All-Share gained 3.7%. Having been a top performer over the last year, Japan's Topix lagged during Q2, dropping 4.6% in sterling terms to take its first-half performance to 6.2%. Emerging market indices were mixed with Taiwan outperforming while Thailand and Indonesia declined, the MSCI Emerging Market Index added 4.9% in sterling terms. Meanwhile, Growth and Quality investment styles again outperformed Value on a global basis.

Bond markets were generally subdued, as bond market participants priced in interest rates remaining higher for longer. In the US, 10-year Treasury yields ended the period at 4.4%, while the German 10-year bond ended at 2.6%.

# EdenTree R&S Multi-Asset Balanced

## Q2 2024 Commentary



### PERFORMANCE & ACTIVITY

The EdenTree Responsible and Sustainable Multi-Asset Balanced Fund gained ground during the quarter, returning 1.6% in absolute terms and performing broadly in line with its IA Mixed Investment 40-85% Shares benchmark, which returned 1.7%.

In terms of the Fund's overall equity performance, its lack of exposure to some of the large-cap names driving the rally proved to be an ongoing headwind, particularly the Fund's underweight US exposure where the Magnificent 7, particularly Nvidia, continued to outperform. The Fund's overweight exposure to French equities, through holdings in EdenTree's R&S European Equity Fund also detracted from performance in June, although this was offset by its overweight position in financials, and banks in particular, which continued to add to performance. The materials sector was also a key contributor in Europe, but this stemmed from the outperformance of specific stocks rather than a wider sectoral move. A lack of exposure to luxury brands was also a positive over the period, as these stocks continue to suffer from weak Chinese demand.

The Fund remains underweight fixed income versus equities, which added value over the quarter as bonds' lacklustre performance reflected the dampening down of interest rate cut expectations during the period. That said, the Fund's UK bond holdings, through the EdenTree R&S Sterling Bond and Short Dated Bond funds, held up well.

The prospect of forthcoming interest rates cuts supported the Fund's infrastructure exposure, held via the EdenTree Green Infrastructure Fund as well as through direct investments in listed infrastructure companies. The sector was also supported by some positive corporate action during the quarter, including the restructuring of assets and share buybacks, which provided a bit more confidence in a sector that has become quite oversold in our view. The Fund was overweight infrastructure versus real estate, which is held through a mix of UK and overseas REITs.

### OUTLOOK

Election results at the start of the quarter have helped quell market concerns about the French right gaining control of its parliament, enabling the French market to recover much of June's underperformance. However, the lack of a clear winner will take some time to resolve, particularly since the far-left gained the most seats and, like the far-right, raises the prospect of greater fiscal spending. The UK election in early July was far more conclusive, with Labour securing the anticipated large majority but pledging to keep fiscal spending tight. Politics will likely remain in the spotlight over the coming quarter with the closely-fought US presidential election taking place in November. While markets were relatively unphased by the previous Trump administration, a second Trump term alongside the European parliament's shift to the right could weaken the green agenda going forward. That said, we believe businesses, on the whole, remain highly committed to sustainability and addressing climate change, and we expect that to continue regardless of what happens on the policy front. In terms of the economy, we believe that weakening growth will enable monetary authorities to ease back on monetary policy, which should be a positive for markets.

#### Tactical Asset Allocation\*\*

From an asset allocation perspective, we remain slightly overweight equities versus fixed income moving into the second half of the year, but we are also mindful of macroeconomic uncertainties and are therefore keeping a fairly balanced position. Within equities, the Fund retains its overweight value position as, given the ever-widening valuation gap between value and growth, we see better opportunities among value companies and the already significant premium for growth stocks continues to rise. The Fund remains overweight as we feel the UK market is attractively valued and offers some interesting opportunities. Finally, the Fund retains its underweight exposure to large-cap versus small-cap companies.

# EdenTree R&S Multi-Asset Balanced

## Q2 2024 Commentary



Within the Fund's fixed income component, we have extended the Fund's overweight long duration position as we expect to see some interest rate cuts in the second half of the year. However, we remain underweight credit given the impact of still high rates on company refinancing, with a strong focus on quality. In terms of the Fund's exposure to property and infrastructure, these assets remain attractive as both listed infrastructure funds and property REITS stand at large discounts to NAV and also offer some inflation linkage. However, the Fund retains a preference for infrastructure over property in the belief that it should be more resilient.

PERFORMANCE DISCRETE	12 Months	12 Months	12 Months	12 Months	12 Months
	to	to	to	to	to
	30/06/2020	30/06/2021	30/06/2022	30/06/2023	30/06/2024
Fund (B Class)				2.1%	8.5%
IA Mixed Investment 40-85% Shares*				3.3%	11.8%
Sector Quartile				3	4

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested.  
Past performance is not necessarily a guide to future returns.

\*As the Fund invests in a range of assets, investors may compare the Fund's performance to the Investment Association Mixed investment Sector 40-85% shares. Funds in this sector must have between 40 to 85% invested in company shares. However, the Manager is not bound or influenced by the Sector category when making investment decisions

\*\* Our tactical asset allocation decisions are informed by the quarterly meeting of EdenTree's Tactical Asset Allocation Committee, which analyses prevailing macroeconomic conditions, discusses positioning within each of the sub-funds and determines the appropriate factor exposures for the multi-asset portfolios.

# EdenTree R&S Multi-Asset Balanced

## Q2 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](http://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.