EdenTree R&S Global Equity Fund

Q2 2024 Commentary

PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Fund (B Class)	3.5%	7.6%	11.2%	9.1%	42.5%	107.1%
MSCI ACWI Net TR GBP*	2.8%	12.2%	20.8%	33.2%	76.8%	230.4%
IA Global	0.7%	8.7%	14.9%	15.8%	53.0%	157.3%
Sector Quartile	1	3	3	3	3	4

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

MARKET REVIEW

Over the second quarter, global equities continued a 2024 advancement with the MSCI ACWI Index delivering 2.8% in sterling terms. Economic data in the US remained robust with the Federal Reserve guiding to only one interest rate cut in 2024. The US continued to deliver strong returns but with continued myopia of mega cap outperformance vs. more tepid performance in the rest of the cap spectrum. Specifically, the artificial intelligence rally continued to lead exposed stocks higher, satisfying already lofty expectations. Europe was a contradictory picture, the ECB cut rates in June as economic data was mixed, consumer confidence improved but business confidence weakened alongside weak manufacturing data in May. The real shock in the quarter was political in nature, with right-wing parties gaining notable traction across the bloc. In France, this led to an unexpected parliamentary election call, elevating political risk in a year of blockbuster elections.

PERFORMANCE & ACTIVITY

The EdenTree Responsible & Sustainable Global Equity Fund rose 3.5%, outperforming the MSCI ACWI index return of 2.8%, placing it first quartile in the IA peer group. Stock selection was the main driver of outperformance over the benchmark with the fund's industrial holdings delivering 6.6% over benchmark return of -1.8%. Currency was also a positive factor with sterling rising thanks to anticipation of a clear election victory of a centrist Labour party, in contrast to the more unpredictable political backdrop in Europe and the US.

Cleaner, Safer, Circular holding Prysmian was a standout performer, up 19.5%, the rally driven by a strong Q1 and acquisition of Encore, a manufacturer of electrical wire/cables. Demand for electric cables remains supported by an increasing number of interconnections required for offshore wind. Medium-voltage cables for power distribution also face strong demand, centred around power grid modernisation efforts in both Europe and the US. Within our Disruptive Innovation thematic, technology was once again the best performing sector, up 11.3%, lifted by both continued AI demand growth and a solid earnings season for US and Asian tech. Stock selection with the Tech sector was the primary detractor with Nvidia and Apple together creating a 1.7% headwind over the quarter. Alphabet (+21%) was the top individual stock contributor to returns; the company hosted its annual developer conference in May where the multi-modal generative AI platform was received well by both the tech and finance communities. Technology names in the portfolio that also led returns included: chip-tester Chroma ATE (+25%), chipmaker TSMC (+23%), cyber-security leader Palo Alto (+19%) and Spotify (+19%).

Healthy Future holding Bruker was amongst the top performers for Q1 but retraced 31% in Q2 over the short-term impact from acquisitions and peers cautioning a difficult operating environment in China and life sciences in general. We added to this position as we view these as transitory issues overlooking the longer-term value of vital picks and shovels for the drug discoveries of tomorrow.

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Other trading activity over the quarter included the sale of two holdings within the sustainable packaging sector: DS Smith and Greatview Aseptic. Coincidentally, both companies were subject to corporate activity with UK paper maker DS Smith being acquired by US competitor International Paper, following a protracted period of uncertainty that began with an approach for DS Smith by UK-based Mondi. We have long believed the circular packaging solutions that DS Smith offer are innovative and attractive, so this bid is not surprising. Similarly, in Hong Kong, Greatview was acquired by Chinese peer Shandong NewJF, for its leading sustainable aseptic packaging and existing plant footprint. DS Smith and Greatview have gained 36% and 38% respectively year to date, with their acquisitions reducing the fund's Materials sector to neutral.

OUTLOOK

Looking into the second half, we would expect the narrow US market leadership to moderate and would be encouraged by a broadening out of gains beyond the technology sector. While the US economy remained relatively robust in the first half of 2024, forward looking indicators do indicate some cooling of the economy, but not to the extent that would trigger an aggressive easing bias. In terms of the approaching US election, a Republican sweep would likely bring tax cuts and heavy trade tariffs which could drive up growth, inflation and support higher interest rates. A Republican sweep also poses a threat to the Inflation Reduction Act (IRA), including the progressive policies supporting the mitigation of climate change. These long-term challenges will still attract investment, as seen in the previous lightly legislating Trump administration, with companies continuing to invest, staying committed to addressing challenges, and meeting their own sustainability goals. The outlook is brighter in the UK, where the new Labour government won a significant majority to enact change, including ambitious green policies to deliver 100% cleaner power by 2030 whilst also creating 650,000 jobs.

PERFORMANCE DISCRETE	12 Months to 30/06/2020	12 Months to 30/06/2021	12 Months to 30/06/2022	12 Months to 30/06/2023	12 Months to 30/06/2024
Fund (B Class)	2.4%	27.6%	-13.9%	13.9%	11.2%
MSCI ACWI Net TR GBP*	5.8%	25.5%	-2.8%	13.5%	20.8%
IA Global	5.0%	25.9%	-9.1%	10.8%	14.9%
Sector Quartile	3	2	3	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.

*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 index. As the Fund invests in a diverse range of global companies and sectors, we compare the Fund's performance to the MSCI ACWI GBP Net Total Return Index, however the portfolio manager is not bound or influenced by the index when making investment decisions.

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