EdenTree R&S Global Equity Fund

Q3 2024 Commentary

PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Fund (B Class)	-0.7%	2.7%	13.2%	4.7%	38.9%	100.3%
MSCI ACWI Net TR GBP*	0.5%	3.3%	20.5%	31.2%	71.2%	222.0%
IA Global	0.2%	0.9%	16.4%	13.9%	49.8%	154.0%
Sector Quartile	3	2	4	3	3	4

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

MARKET REVIEW

Following a strong first half for equity returns, the third quarter was more tempered with MSCI ACWI Index returning 0.5% in Sterling terms. The Fed delivered the long awaited first interest cut of 50bps, US jobs remained robust, leading the market to return to the "Goldilocks thesis" of inflation defeated and the US escaping recession. Europe continued to paint a contradictory picture, with German manufacturing data notably weak in the face of sluggish Chinese demand. The end of the quarter saw the Chinese government announce a considerable stimulus package in a necessary boost to the economy. A change in rhetoric at the September Politburo saw Chinese equities rally strongly along with Asian equities more broadly.

PERFORMANCE & ACTIVITY

The EdenTree Responsible & Sustainable Global Equity Fund declined 0.7%, underperforming the MSCI ACWI index return of 0.5%, placing the Fund third quartile in the IA peer group. Stock selection within the US was a primary detractor alongside the Fund's limited direct exposure to China, although the Fund's overweight allocation to Hong Kong, as well as to the wider Asia ex Japan region, was beneficial. The Fund's currency exposure was positive over the quarter with the overweight sterling strengthening against the underweight dollar as a Labour election victory placed the UK on a comparatively more secure political and economic footing.

In terms of themes, Healthy Future holdings were amongst the top individual contributors with genomic sequencing challenger Oxford Nanopore (+69%) and cancer screening company Exact Sciences (+52%) leading stock contributors. Oxford Nanopore delivered robust earnings with their lower capex instruments proving more resilient than peers, in addition to better momentum on costs and sales productivity. Both names had underperformed in the rising rate environment placing higher discounts on long term growth, with the first cut in the US leading to a rally in these growth names. Our European pharma names Sanofi (+12.1%) and Roche (+9.0%) were also positive contributors. Overall the Fund's Health Care holdings delivered 4.9% return outperforming the benchmark's 0.1%.

Within Disruptive Innovation, our exposure to artificial intelligence thematic continued to perform well despite bellwether large-caps moderating. Taiwan based Chroma ATE gained 13.4% over the quarter, taking year to date gains to 65% following continued momentum in GPU & AI testing, with big client wins in metrology, enabling more advanced manufacturing precision and accuracy. Following a period of significant weakness, we began adding ASML, the global leader in lithography systems, the critical process of using light to draw nanoscopic patterns on semiconductors to enhance their power and functionality. The importance of this technology to fuel the increasingly complex chips of tomorrow is undervalued in our view. Additionally, circularity is becoming an increasingly important component with 88% of system parts from the field re-used within the Field Services division (targeting a 95% re-use rate by the end of 2025). Supplying recycled system parts to the ever-expanding installed base should positively impact the company's margin profile over the long-term.

We placed the stock into our "Scale of the Challenge" framework for achieving Sustainability at a Reasonable Price, despite the sharp retracement leading the stock to be 30%, or 1.5 standard deviations below its five-year historical average. Over the quarter, we exited our holding in Sony in early July, following a sharp move higher, as we saw limited upside in comparison to higher conviction ideas.

Cleaner, Safer, Circular holding Prysmian, provider of essential cabling for the energy transition, rose 10.7% over the quarter, taking year to date gains to 53.4%, as the company continues to win large, profitable tenders to enable grid hardening and resilience with the increasing renewable generation mix. Adjacently, we began a new position in Atkore, which is a leading provider of electrical circuitry and raceway solutions. Atkore remains well positioned to participate in electrical megatrends related to data centres, digital infrastructure, grid hardening - essentially the electrification of everything. Despite these attractive long-term thematic trends, this under-covered stock trades on a lowly mid-single digit P/E and 5x EV/EBITDA, however during Q3 fell c.40% following disappointing quarterly results, driven by weakness in average selling prices due to aggressive Chinese imports fed through Mexico. We also entered a new position in IDEX, a diversified industrial company specialising in highly engineered products for industrial, water, health & science and fire & safety end markets. The company has built an impressive portfolio composed of high-spec, niche products with strong brand recognition, high switching costs and leading market share positions. We believe that the well-positioned portfolio, combined with the company's longstanding laser focus on ROIC should continue to drive faster-than-sector-average earnings growth over the medium-term.

OUTLOOK

Approaching the fourth quarter, consensus is centred on the belief that inflation is now conquered, supported by central banks pivot to easing mode. Yet the pace and magnitude of rate cuts remains incredibly fluid. So far, the US economy has remained resilient with robust employment in services, less so within manufacturing, so any surprises here will feed into a rate expectation recalculation. Europe stands on weaker footing, with manufacturing-dependent Germany at risk of recession given weak global trade, in particular from its biggest trading partner China. In France, the new government needs to delicately balance fiscal reforms to bring the deficit back in line without extinguishing growth. Recent announcements from Chinese policymakers will be an important catalyst for restoring global growth. Whilst this may take time to resuscitate Chinese consumer demand, if successful can lift European equities, an attractive prospect given the c.40% discount to US equities. Looking ahead, the potential resurgence of inflation is a risk currently not priced into markets, with a major escalation in the Middle East a primary short-term threat. The upcoming US election could also act as an inflationary catalyst, with both the Republican's trade tariffs and Democrat's green fiscal stimulus creating inflationary pressures, with the latter supporting more durable growth rather than the former's frictional trade tariffs. Regardless of the political winds, we continue to see companies dedicated to and investing in sustainable solutions given these long-term challenges will extend far beyond the four year horizon of a single Presidency term.

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PERFORMANCE DISCRETE	12 Months to 30/09/2020	12 Months to 30/09/2021	12 Months to 30/09/2022	12 Months to 30/09/2023	12 Months to 30/09/2024
Fund (B Class)	3.1%	28.7%	-17.1%	11.6%	13.2%
MSCI ACWI Net TR GBP*	5.2%	24.0%	-3.0%	12.2%	20.5%
IA Global	6.8%	23.1%	-9.2%	7.7%	16.4%
Sector Quartile	3	1	4	2	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.

*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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