

## PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Fund Performance (B Class)	5.5%	2.3%	6.4%	-2.2%	17.0%	34.3%
FTSE AllShare TR GBP	3.2%	5.2%	7.9%	28.1%	37.7%	68.2%
IA UK All Companies	4.5%	5.4%	7.4%	14.2%	31.1%	55.5%
Sector Quartile	1	4	3	4	4	4

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

## MARKET REVIEW

UK equities performed strongly in the final quarter of 2023, particularly mid-caps, amid a global equity rally fuelled by the anticipation of interest rate cuts in 2024. This was largely driven by comments from the US Federal Reserve chair Jay Powell who changed the tone of his commentary to indicate as much, reflecting the notable drop in inflation. This led to a broad-based surge in equity prices towards the end of the year, albeit against a stagnant economic backdrop in the UK and much of continental Europe, as well as conflicts in Ukraine and Gaza.

## PERFORMANCE & ACTIVITY

The EdenTree Responsible & Sustainable UK Equity Fund outperformed its benchmark over the quarter. This was driven by a range of stocks across numerous sectors, which was encouraging. Fintech company Wise was the biggest single gainer, up 27%, following the publication of good results. Likewise, specialised technical products and services supplier Diploma and software company Sage Group both rose by almost 20% following strong results. The drop in gilt yields was also beneficial for more interest-rate-sensitive parts of the portfolio, notably property, with Segro up 23%.

There were a few underperformers inevitably. Pest control group Rentokil warned that margins in its key US business were likely to be slightly lower than expected, prompting a 27% fall in the stock over the quarter. We remain holders, as we regard this as a temporary setback.

At the start of November, the Fund switched its lead manager to Greg Herbert, following the departure of Ketan Patel, with Chi-Chung Man remaining as Associate Fund Manager. In line with the new team's strategy to evolve the portfolio towards a mid- to large-cap portfolio of high-quality UK stocks – all screened in line with our Responsible & Sustainable criteria – there was some portfolio turnover. A tail of small positions in less-liquid small caps was sold. Some of the Fund's industrial exposure was also reduced, as this was high in the new team's view. In contrast, a few names were introduced to further diversify the portfolio. These included two utilities, National Grid and SSE, as well as some new tech exposure through Rightmove and Moneysupermarket.com. We also added to the Fund's positions in some larger cap names such as London Stock Exchange Group and distributor Bunzl.

Broadly speaking, the bulk of the intended changes were made in the first few weeks of the new management team being in place and are largely complete now. Looking ahead, we would expect turnover to be much lower, in line with our long-term investment horizon.

## OUTLOOK

The primary discussion at the start of 2024 is around how fast and how soon interest rate cuts will come. There will probably

be tension around this debate that creates more of the same volatility seen during 2023. Whether European, US and other developed market economies fall into recession remains to be seen, but growth looks to be anaemic in Europe for the immediate future.

2024 is also probably an election year in the UK and elsewhere, notably the US. While elections do not generally have much impact on equity markets, any policy changes associated with a change in government could be significant this year, given that valuations in the UK are at multi-decade lows versus the rest of the world. Beyond that, markets will inevitably be affected by events that are inherently unpredictable (and therefore not priced in). To counter that, we hold what we consider to be a widely diversified portfolio across many different industries and sectors that we believe should offer resilience against the unpredictable. Vital to this is our Responsible & Sustainable investment process, which we feel offers added due diligence and screening across all of the Fund's holdings to ensure that we only invest in businesses that we confidently believe are engaging in best practice across all aspects of their operations.

### PERFORMANCE DISCRETE

12 Months to 12 Months to 12 Months to 12 Months to 12 Months to

	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023
Fund Performance (B Class)	26.7%	-5.6%	15.1%	-20.1%	6.4%
FTSE All Share TR GBP	19.2%	-9.8%	18.3%	0.3%	7.9%
IA UK All Companies	22.4%	-6.2%	17.1%	-9.2%	7.4%
Sector Quartile	2	2	3	4	3

Past performance is not necessarily a guide to future returns.

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**

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Firm Reference Number 527473.