

EdenTree R&S UK Equity Opportunities Fund

Q2 2024 Commentary



PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Fund (B Class)	2.4%	5.4%	12.5%	-8.4%	14.0%	69.1%
FTSE All Share TR GBP*	3.7%	7.4%	13.0%	23.9%	30.9%	77.8%
IA UK All Companies	3.8%	6.8%	12.7%	9.2%	23.8%	66.4%
Sector Quartile	4	3	3	4	4	3

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

MARKET REVIEW

The UK stock market indices were in positive territory in the quarter. Prime Minister Rishi Sunak called a surprise early general election despite the Conservative party being a long way behind in the opinion polls. The conflict in Ukraine has continued and shows no sign of ending and Israel's military campaign in Gaza has also continued. The US stock market performed well in the quarter as investors remain excited about the potential of generative artificial intelligence. The Federal Reserve voted to hold the federal funds rate at 5.25%-5.5% during its latest meeting. Federal Reserve chair Jay Powell gave a hawkish message and signalled that a single interest rate cut in 2024 was still possible compared to previous expectations of multiple cuts. The Bank of England voted to hold interest rates at 5.25%, with seven members voting to hold rates and two members voting to cut rates. Elsewhere, the oil price was volatile in the period but ended the quarter strong as the OPEC+ members agreed to deep cuts in production. The European Central Bank (ECB) moved ahead of the Federal Reserve and Bank of England and cut interest rates to 3.75%. The President of the ECB, Christine Lagarde indicated that interest rates would not necessarily decrease in a linear fashion and future decisions would be data dependent.

PERFORMANCE & ACTIVITY

Against a volatile backdrop, the Fund was in positive territory during the quarter. Fund performance was aided by overweight positions in Investment Banking & Brokerage Services and Health Care Providers and underweight positions in Beverages and Real Estate Investment Trusts. Overweight positions in Industrial Support Services and Travel & Leisure, underweight positions in Banks and zero weighting in Industrial Metals & Mining impacted performance. At a stock level, Hargreaves Lansdown (Financials), Tatton Asset Management (Financials), GlobalData (Media) and JTC (Professional Services) were amongst the biggest contributors to performance. Hargreaves Lansdown was subject to a bid during the period. Detractors included Wise (Technology), Sage (Technology), Convatec (Health Care) and SSP (Consumer Discretionary). Fund activity included starting positions in GB Group, a company providing digital location, identity and fraud and compliance solutions. We participated in an equity fundraising for Ensilica, a designer and supplier of mixed signal Application Specific Integrated Circuits, which are Integrated Circuits or semiconductor chips developed for a specific use or product as opposed to general purpose usage. We also increased our positions in Diaceutics, Grainger, SSP and Wise. We took profits in Mattioli Woods, Hargreaves Lansdown, AstraZeneca, RELX, 4imprint and Tatton Asset Management and reduced our position in Essensys.

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OUTLOOK

The prolonged conflict in Ukraine shows no sign of abating and will likely continue to have adverse economic impacts. Israel's military campaign in Gaza has continued and whether it expands into a wider regional conflict could lead to repercussions around the world. There have been increased attacks in the Red Sea on commercial vessels which could have a negative impact on global trade via increased supply chain disruption. The trajectory of the oil price will depend on whether agreed upon cuts to production hold and also geopolitical tensions. The oil price remaining high could have negative implications for inflation. The Chinese economy seems to have stabilised although an important question will be whether authorities opt to go beyond targeted stimulus measures to revitalise the economy, with reverberations likely to be felt around the world. Prime Minister Rishi Sunak led the Conservative Party to a resounding general election defeat at the hands of Keir Starmer's Labour party. The incoming government faces a tough task ahead. Cost of living pressures have shown some signs of abating, but high interest rates could see many homeowners having to refinance their mortgages at much higher rates, which could have negative implications for consumer spending. The tax burden for the UK taxpayer remains high. Whether the UK can boost its economic growth rate will be important especially amidst seeming increased disenchantment with politics. European economic activity is likely to be impacted by its proximity to the conflict in Ukraine. European politics could be facing a tumultuous time with the calling of snap parliamentary elections in France and the rise of populism elsewhere. US-China relations have somewhat thawed although tensions over trade remain. Furthermore, the US and some European countries have attempted to de-risk their relationship with China, in an attempt to limit corporate and economic exposure. The Federal Reserve and Bank of England both held interest rates at their most recent meeting whilst the European Central Bank increased interest rates. The Federal Reserve was more hawkish regarding potential interest rate cuts in 2024. The ECB was more cautious in their outlook whilst expectations are that the Bank of England will cut rates at some point. Arguably the biggest questions regarding monetary policy are around the timing and pace of interest rate cuts and both the timing and the pace will have a large impact on investor sentiment. Artificial intelligence is increasingly at the forefront on investor's minds, and winners and losers will result from its disruptive impact. While, as ever, some political and economic risks lie ahead, we remain focused on finding new opportunities in companies that meet our strict criteria of strong earnings growth, high margins and strong cash flows.

PERFORMANCE DISCRETE	12 Months to	12 Months to	12 Months to	12 Months to	12 Months to
	30/06/2020	30/06/2021	30/06/2022	30/06/2023	30/06/2024
Fund (B Class)	-8.3%	35.7%	-24.2%	7.4%	12.5%
FTSE All Share TR GBP*	-13.0%	21.5%	1.6%	7.9%	13.0%
IA UK All Companies	-11.0%	27.4%	-8.6%	6.1%	12.7%
Sector Quartile	2	1	4	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.

*As the Fund invests in a diverse range of UK companies and sectors, we compare the Fund's performance to the FTSE All Share Index, however the portfolio manager is not bound or influenced by the index when making investment decisions.

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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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