

EdenTree R&S UK Equity Opportunities Fund

Q3 2024 Commentary



PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Fund (B Class)	-0.3%	2.1%	12.2%	-12.6%	13.5%	69.1%
FTSE All Share TR GBP*	2.3%	6.1%	13.4%	23.9%	32.2%	83.6%
IA UK All Companies	2.3%	6.2%	14.2%	8.8%	25.3%	71.6%
Sector Quartile	4	4	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 generally in positive territory in the quarter although the AIM market saw a negative return. The Labour Party, under the leadership of Keir Starmer, secured an overwhelming majority in the general election. The conflict in Ukraine has continued and shows no sign of ending and Israel's military campaign in Gaza has also continued, whilst also extending into Lebanon. The US stock market performed well in the quarter as investors predicted that the Federal Reserve would undertake a bigger than expected interest rate cut. Indeed, the Federal Reserve voted to cut the federal funds rate by 0.50% to 4.75%-5.0% during its latest meeting although there was a single dissenter amongst the Fed governors. Federal Reserve chair Jay Powell signalled that there would be further interest rate reductions, although they were more likely to be quarter point reductions. The Bank of England held interest rates at 5.0%, with eight members voting to hold and one voting to cut rates.. Elsewhere, the oil price reduced in the period largely due to increased supply from non-OPEC producers such as the US and weak demand in China. The European Central Bank (ECB) cut interest rates to 3.50% with the decision being unanimous. The President of the ECB, Christine Lagarde indicated that further interest rate reductions were expected.

PERFORMANCE & ACTIVITY

Amidst a volatile backdrop, the Fund ended the quarter in negative territory. Fund performance was aided by overweight positions in Real Estate Investment & Services and Industrial Transportation and underweight positions in Oil, Gas & Coal and Pharmaceuticals & Biotechnology. Overweight positions in Industrial Support Services and Media, underweight positions in Personal Care, Drug & Grocery Stores and zero weighting in Tobacco impacted performance. At a stock level, St James's Place (Financials), Next (Retail), Rightmove (Media) and JTC (Professional Services) were amongst the biggest contributors to performance. Rightmove was subject to four bids during the period although ultimately the Rightmove Board rejected the offers. Detractors included GlobalData (Media), Sage (Technology), Aquis Exchange (Financials) and 4imprint (Media). Fund activity included increasing our positions in GB Group and B&M. We took profits in Hargreaves Lansdown and reduced our position in Essensys.

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OUTLOOK

The ongoing conflict in Ukraine is likely to continue having adverse economic impacts. Israel's military campaign in Gaza has continued and they have also expanded military operations into Lebanon. Whether this 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 demand in China increases and also geopolitical tensions. The oil price remaining high could have negative implications for inflation. The Chinese authorities pledged widespread monetary and fiscal stimulus measures in an effort to revitalise the economy. More detail is awaited on the measures but reverberations are likely to be felt around the world. Keir Starmer's Labour party have begun the task of governing the country. 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. All eyes will be on the Budget and whether potential tax raising measures announced will impede future economic activity. 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 rise of populism. 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 US Presidential election looks to be a tight race, decided by a handful of swing states, and the outcome of that will have important effects. The Federal Reserve and the European Central Bank both reduced interest rates whilst the Bank of England held interest rates at their most recent meeting. However, all central banks have indicated that there are likely to be interest rate cuts going forward. 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
	30/09/2020	30/09/2021	30/09/2022	30/09/2023	30/09/2024
Fund (B Class)	-8.9%	42.6%	-31.4%	13.6%	12.2%
FTSE All Share TR GBP*	-16.6%	27.9%	-4.0%	13.8%	13.4%
IA UK All Companies	-12.8%	32.1%	-15.4%	12.6%	14.2%
Sector Quartile	2	1	4	3	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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