EdenTree R&S UK Equity Opportunities Fund

Q4 2024 Commentary

PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Fund (B Class)	3.5%	3.2%	8.8%	-9.5%	5.7%	65.8%
FTSE All Share TR GBP*	-0.4%	1.9%	9.5%	18.5%	26.5%	81.9%
IA UK All Companies	-1.2%	1.0%	8.0%	5.2%	15.6%	66.7%
Sector Quartile	1	1	2	4	4	3

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested.
Data as at 31.12.2024

MARKET REVIEW

The UK stock market indices were in negative territory in the quarter. The Labour Party has had a tough start following the general election, with certain aspects of the Budget such as the changes in employers' national insurance contributions, not being particularly well received by businesses. The conflict in Ukraine has continued and shows no sign of ending. Israel's military campaign in Gaza has also continued, although there has been a ceasefire in Lebanon. The US stock market performed well in the quarter especially following the US Presidential election which was won by Donald Trump. The Federal Reserve voted to cut the federal funds rate by 0.25% to 4.25%-4.50% during its latest meeting although there was a single dissenter amongst the Fed governors. Interestingly, Federal Reserve chair Jay Powell gave a hawkish message when he signalled that there would be further interest rate reductions, but the reductions were expected to be less than market expectations. The Bank of England voted to hold interest rates at 4.75%, with six members voting to hold rates and three members voting to cut rates. Elsewhere, the oil price was volatile and increased in the period, which was impacted by various factors including the Opec+ group agreeing to extend its production cuts for another year. The European Central Bank (ECB) cut interest rates to 3.0% with the decision being unanimous. The President of the ECB, Christine Lagarde was more dovish in her tone and indicated that further interest rate reductions were expected.

PERFORMANCE & ACTIVITY

Against a volatile backdrop, the Fund was in positive territory during the quarter. Fund performance was aided by overweight positions in Industrial Support Services and Travel & Leisure, underweight position in Pharmaceuticals & Biotechnology and zero weighting in Industrial Metals & Mining. Overweight positions in Retailers and Media, underweight position in Banks and zero weighting in Tobacco impacted performance. At a stock level, Wise (Financials), On the Beach (Leisure), Aquis Exchange (Financials) and Sage (Technology) were amongst the biggest contributors to performance. Aquis Exchange was subject to a bid during the period. Detractors included GlobalData (Media), Close Brothers (Financials), Liontrust (Financials) and Ensilica (Auto Electrical & Electronics). Fund activity included starting a position in Victrex, a world leader in high-performance polymer solutions and the number one PEEK (polyetheretherketone) experts. We took part in the IPO of Applied Nutrition, a fast growing sports and active nutrition brand and also increased our position in GB Group. We sold out of Essensys and Hargreaves Lansdown and took profits in Next, Marlowe, Wise and Sage.

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edentree investment management

OUTLOOK

The prolonged conflict in Ukraine will likely continue to have adverse economic impacts although a lot will depend on how the Trump administration decides to proceed. Israel's military campaign in Gaza has continued although there has been a ceasefire in 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, geopolitical tensions, and also whether the Opec+ production cuts hold. 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 UK. 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 effects of the Budget and whether the 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 trade tensions could increase, depending on what policies the incoming Trump administration chooses to enact. 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. Ultimately, a lot will depend on whether the Trump administration's policies match the rhetoric from the election campaign. 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 31/12/2020	12 Months to 31/12/2021	12 Months to 31/12/2022	12 Months to 31/12/2023	12 Months to 31/12/2024
Fund (B Class)	-4.7%	22.5%	-24.4%	10.1%	8.8%
FTSE All Share TR GBP*	-9.8%	18.3%	0.3%	7.9%	9.5%
IA UK All Companies	-6.2%	17.1%	-9.2%	7.3%	8.0%
Sector Quartile	2	1	4	1	2

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.

 All data as at 31.12.2024

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A full explanation of the characteristics of the investments is given in the Key Investor Information Document (KIID). Any forecast, figures, opinions statements of financial market trends or investment techniques and strategies expressed are unless otherwise stated, EdenTree Investment Management's own at the date of this document. They are considered to be reliable at the time of writing, may not necessarily be all-inclusive and are not guaranteed as to accuracy. There is no guarantee that any forecast made will come to pass.

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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