EdenTree R&S UK Equity Fund

Q2 2024 Commentary

PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Fund (B Class)	0.1%	0.3%	2.6%	-10.3%	2.9%	36.2%
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	4	4	4	4	4

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

MARKET REVIEW

UK equities rose in the second quarter of 2024, driven by sectors such as banks, energy, mining and pharmaceuticals. Given a reset in interest rate expectations, from multiple cuts to something much more modest, some of the more interest rate sensitive sectors such as utilities and consumer discretionary were comparatively weak. While headline inflation started to fall towards the Bank of England's 2% target, core inflation, led by services, remained elevated. In May, a surprise election was announced by Prime Minister Rishi Sunak.

PERFORMANCE & ACTIVITY

The EdenTree Responsible & Sustainable UK Equity fund underperformed the market in this environment. Some of this was sector specific, notably our utilities exposure for reasons discussed above, but also because National Grid announced a rights issue to fund a significant step-up in investment in its grid operations in the UK and the US as the energy transition gains pace. While this did cause weakness in the shares, we regard it as the right thing to do in the long term, as it grows the asset base of the business and its earnings power as a result, with commensurate dividend growth. We therefore subscribed in full to the rights issue.

A further source of weakness was Wise, a money transfer platform, which fell by 20% after scaling back its guidance to investors (having risen over 50% last year). It remains a key holding for us and one that ought to keep growing strongly for many years.

In contrast, we saw some strong performance from some of our mid-cap holdings, such as Keller Group (ground engineering services) and Johnson Service Group (industrial laundry), which both rose by about 20% after reporting strong results.

Over the period, we trimmed our largest holding RELX as it approached 5% of the portfolio. We added to Rightmove and MONY Group (formerly Moneysupermarket.com) in order to increase our exposure to more UK-focused names that we felt might benefit from a (gently) recovering economy. Both had been weak so far this year.

OUTLOOK

The UK economy remains weak but with stubborn inflation, particularly in the labour market. However, there is some evidence of recovery and while there is debate over when, or even if, interest rate cuts will occur in the all-important US, there is little doubt at the moment that the Bank of England is still going to cut rates, with just the timing and extent the main issue. This ought to offer some relief. The general election has given us a new government and a new agenda. Thus far, there has been a flurry of activity which may, if not immediately, be beneficial. Notably, a focus on freeing up planning rules ought to allow more infrastructure and housing to be built, where there is a lot of pent-up demand.

Also in focus is the UK's trading relationship with the EU which may start to improve with a new government. This could signal a change in opinion towards the UK's equity market, which is languishing at extreme low valuations relative to its history and just about every other equity market worldwide. In other words, it is not implausible that the worst is over for the UK economy and, by extension, the equity market, certainly the more domestically-focused areas of it at least. This might be fanciful, but the UK market has historically bounced back from such extreme low valuation levels.

Nevertheless, markets will also 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 30/06/2020	12 Months to 30/06/2021	12 Months to 30/06/2022	12 Months to 30/06/2023	12 Months to 30/06/2024
Fund (B Class)	-5.8%	21.7%	-17.5%	5.9%	2.6%
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	1	3	4	3	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.

*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.

This document has been prepared by EdenTree Investment Management Limited for Financial Advisors, other intermediaries and other investment professionals only. It is not suitable for private individuals. This document has been produced for information purposes only and as such the views contained herein are not to be taken as advice or recommendation to buy or sell any investment or interest thereto.

Please note that the value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations, you may not get back the amount originally invested. Past performance is not necessarily a guide to future returns.

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**

EdenTree Investment Management Limited (EdenTree) Reg. No. 2519319. Registered in England at Benefact House, 2000, Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW, United Kingdom.