EdenTree R&S UK Equity Fund

Q3 2024 Commentary

PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Fund (B Class)	3.0%	3.1%	9.0%	-11.1%	4.5%	42.8%
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	2	4	4	4	4	4

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

MARKET REVIEW

The third quarter of 2024 was positive for UK equities, amid a broad rally in most risk assets. The UK's general election took place at the start of the quarter, but given that the result was widely anticipated, there was little impact on the equity market. Of greater note was the Bank of England's first interest rate cut, 12 months after its last hike. Again, this was much anticipated, but the cautious rhetoric over future cuts and stickily high inflation in areas like services was less so. This helped sterling rise against both the dollar and the euro to levels not seen for two years.

PERFORMANCE & ACTIVITY

The Fund outperformed its benchmark over the quarter driven by several key factors. Oil stocks, which were particularly weak, are excluded from our funds by our Responsible Investment process. Specific to our holdings, we saw strong earnings releases from companies such as Keller (ground engineering), Bunzl (distribution), and Tesco.

We also benefited from a takeover approach of Rightmove by REA, an Australian-listed property-listing platform. This was rebuffed initially and, after three more increased cash-and-share bids, was ultimately withdrawn after Rightmove's board rejected each one for insufficiently valuing the business, in its view. We supported the board's stance, regarding the offers as opportunistic and too low, nor did we like the part-share aspect of the bid. While the shares did fall after the bid's retraction, we feel that the longer-term value in the business is now more apparent and we are happy to hold the shares.

On the downside, Rentokil was weak after issuing a profit warning. This is a business that is struggling to integrate a large US acquisition from two years ago and has now attracted a US-based activist shareholder, who recently took a seat on its board. While we had already significantly reduced the position before the latest warning, we felt that strategic pressure from its new board member may eventually yield results so had not exited completely.

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OUTLOOK

The goldilocks scenario is that we are entering a phase of interest rates gently heading lower, leaving some headroom for stimulus if economic growth does tail off into recession (which at the moment is not looking likely). This ought to encourage greater capital markets activity, especially in new listings, where there is a lot of pent-up demand for IPOs. Of course, this “not-too-hot, not-too-cold” scenario will inevitably be knocked off course by unpredictable events.

The UK specifically faces a tricky period of a new government that needs to balance weak public finances with an economy crying out for investment in infrastructure, house building and public services. The much-heralded improvement in planning policy needs to happen rapidly in order to attract private capital, in the absence of public investment. So, while the UK faces a difficult phase, there is cause for hope, all while the UK equity market remains at long term low valuations relative to its history and most other equity markets globally. We therefore remain positive on the UK market.

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 30/09/2020	12 Months to 30/09/2021	12 Months to 30/09/2022	12 Months to 30/09/2023	12 Months to 30/09/2024
Fund (B Class)	-7.7%	27.4%	-26.5%	10.8%	9.0%
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	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.

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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