

RESPONSIBLE AND SUSTAINABLE UK EQUITY FUND

COMMENTARY FOR QUARTER TO END MARCH 2022

PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Fund Performance (B Class)	-12.39%	-11.34%	-3.56%	10.41%	14.44%	93.24%
FTSE AllShare TR GBP	0.49%	4.70%	13.03%	16.79%	25.77%	99.55%
IA UK All Companies	-4.96%	-2.93%	5.27%	17.24%	23.93%	102.4%
Sector Quartile	4	4	4	4	4	3

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

REVIEW

The conflict in Ukraine dominated global markets bringing increased volatility and uncertainty. The only major developed bourse in the black over the period was the FTSE 100, which is dominated by defensive sectors including Tobacco, Mining, Oil & gas and Aerospace & Defence and these are all excluded from the Fund on responsible & sustainable grounds. The Fund has minimal exposure in terms of sales (less than 1%) to the regions affected by the conflict. The US, UK and EU responded to the conflict with financial sanctions and economic pressure against Russia, which contributed to higher commodity prices, surging inflation and dampening global economic growth forecasts. The Federal Reserve increased the federal funds rate by 0.25% to 0.50% and signalled it was willing to act even more aggressively in order to tackle inflation rates which were at a multi-decade high.

The Prime Minister announced the ending of all remaining coronavirus legal restrictions in England including the need to self-isolate following a positive Covid test. The Bank of England voted by an 8-1 margin to raise interest rates to 0.75%. Elsewhere, the Brent Crude oil price went past \$100 for the first time since 2014 largely due to the conflict in Ukraine. The European Central Bank gave a mixed message in announcing that it would scale back its bond buying programme but giving itself flexibility in the timing of a potential interest rate increase.

PERFORMANCE & ACTIVITY

Fund performance was aided by overweight positions in Industrial Transportation and Non-Life Insurance and underweight position in Personal Care, Drug & Grocery Stores. The zero exposure to Tobacco, Oil, Gas & Coal, Mining and Aerospace & Defence impacted performance negatively in the quarter. Overweight positions in Pharmaceuticals & Biotechnology and Electronic & Electrical Equipment and the underweight position in Banks acted as a drag on performance.

At a stock level, Menzies (Support Services) and Sabre Insurance (Insurance) were amongst the biggest contributors to performance, whilst detractors included Genus (Agricultural Producer), Dechra (Pharmaceuticals & Biotechnology), Halma (Electrical Equipment) and Strix (Industrial Products). Fund activity included topping up in National Express, NCC, Genus, Wise, Sabre Insurance, Mattioli Woods, Marshalls, Strix and Close Brothers.



OUTLOOK

The continuation of the conflict in Ukraine will likely see continued high commodity prices, high inflation and dampened global economic growth. Attempts in China to deal with coronavirus outbreaks could lead to supply chain disruptions which could impact global economic growth. Mistrust still exists between the UK and EU, largely over the Northern Ireland protocol, and Northern Ireland assembly elections could see continuing tensions between both sides. Record wholesale gas and electricity prices have led to a rise in the cost of living and could have negative implications on consumer spending. European economic activity is likely to be impacted by its proximity to the conflict in Ukraine. President Biden will continue in his attempts to pass his policy agenda through Congress although this will be tough given the wafer thin majorities held by the Democrats in both houses of Congress. Central bankers around the world have begun to increase interest rates in order to combat inflation and the economic impact of less accommodative monetary policy remains to be seen. The Fund continues to take in meaningful net inflow, which are being deployed via the highly disciplined strategy focusing on quality sustainable businesses. 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.

To obtain 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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