

# RESPONSIBLE AND SUSTAINABLE UK EQUITY OPPORTUNITIES FUND

## COMMENTARY FOR QUARTER TO END MARCH 2021

### PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Fund Performance (B Class)	6.97%	24.43%	44.83%	20.85%	51.88%	184.62%
FTSE All Share TR GBP	5.19%	18.47%	26.71%	9.89%	35.69%	78.99%
IA UK All Companies	5.75%	21.83%	37.76%	14.52%	38.97%	93.27%
Sector Quartile	2	2	2	2	1	1

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

### REVIEW

The UK markets performed well in the quarter largely due to the successful vaccine rollout, which has led to expectations of a better than expected economic recovery once lockdown restrictions are loosened whilst the US markets also performed well. The Democrats won both seats in the Georgia Senate run-off elections and thereby giving them control of both houses of Congress. The Federal Reserve continues to operate a dovish monetary policy with low interest rates and asset purchases in place for as long as the US economy is believed to require it.

The UK and EU have begun a new relationship governed by the Trade and Co-operation Agreement although deep distrust remains between both sides especially in relation to the Northern Ireland protocol. Chancellor Rishi Sunak sought to strike a balance between Covid-19 support measures and fiscal responsibility in his second budget. The furlough scheme was extended whilst corporation tax rates are scheduled to increase in 2023 and personal tax thresholds are due to be frozen. The Bank of England unanimously voted both to maintain interest rates and the pace of quantitative easing whilst also upgrading the outlook for the UK economy. The vaccination rollout programme continued apace with the government on course to meet its first vaccine dose target. The UK indices were in positive territory in the quarter with the FTSE small cap performing relatively better than the FTSE100 and FTSE 250.

Elsewhere, the oil price was strong in the period, due to positive vaccine rollout news and the potential of normalised demand. The quarter was dominated by coronavirus with Europe suffering from a faltering vaccine rollout, increasing cases of infection and continuing lockdowns. The President of the European Central Bank (ECB), Christine Lagarde, increased the pace of the emergency bond-buying program.

### PERFORMANCE & ACTIVITY

Fund outperformance was aided by overweight positions in Industrial Transportation and Life Insurance and underweight positions in Personal Care, Drug & Grocery Stores and zero exposure to Tobacco. Overweight positions in Leisure Goods and underweight positions in Banks and zero exposure to Industrial Metals & Mining impacted performance. At a stock level, Essensys (Software), Tatton Asset Management (Financials), Instem (Health Care), and Ashtead (Industrials) were amongst the biggest contributors to performance whilst detractors included Diaceutics (Health Care), Actual Experience (Software), MJ Hudson (Professional Services) and Frontier Developments (Media).

Fund activity included increasing our positions in Relx, Hargreaves Lansdown, Ashmore, Liontrust, Aquis Exchange, B&M, James Halstead, S4 Capital, JD Sports, Auto Trader, Sabre Insurance, Actual Experience and IG Design. We took profits in Ashtead and Marlowe and reduced our positions in Morses and Abingdon Health. We sold out of Applied Graphene Materials. Despite the market's volatility we continue to find companies meeting our demanding criteria of business models that can generate earnings growth across the economic cycle.



## OUTLOOK

The UK and EU have begun a new relationship although mistrust still exists and the Northern Ireland protocol could see increasing friction between both sides. Scottish elections are due in May and a good result for the SNP could strengthen the case for independence. On the back of its so far successful vaccine rollout, the UK continues its path out of lockdown restrictions which could lead to a stronger than expected economic recovery. European economic activity is likely to be uneven as infection rates increase and the vaccine rollout programme falters. President Joe Biden's fiscal stimulus plan passed through Congress and he has also announced a large infrastructure plan accompanied by increased corporation tax rates. This and other policy plans could face a tough path given the wafer thin majorities held by the Democrats in both houses of Congress. 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](http://www.edentreeim.com) or call our support team on **0800 011 3821**

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.

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. 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.

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.

EdenTree is authorised and regulated by the Financial Conduct Authority and is a member of the Investment Association. Firm Reference Number 527473.