

# RESPONSIBLE AND SUSTAINABLE UK EQUITY OPPORTUNITIES FUND

## COMMENTARY FOR QUARTER TO END SEPTEMBER 2021

### PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Fund Performance (B Class)	4.43%	14.57%	42.56%	26.45%	69.30%	260.27%
FTSE All Share TR GBP	2.23%	7.95%	27.90%	9.53%	29.81%	119.18%
IA UK All Companies	2.70%	8.43%	32.11%	15.21%	38.35%	140.90%
Sector Quartile	1	1	1	1	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 continuing successful vaccine rollout and move to step four of the government's coronavirus easing plan, which has led to improved economic recovery whilst the US markets also performed well. President Biden continued with attempts to implement his policy agenda. The Federal Reserve is increasingly expected to raise interest rates in 2022 and reduce its asset purchase programme.

The prime minister announced a move to step four of the government's coronavirus easing plan which saw the end of the work from home guidance, enforced wearing of face coverings and social distancing rules. The government broke a manifesto pledge with their plan to raise National Insurance rates to tackle NHS waiting lists and social care reform. The Bank of England unanimously voted to hold interest rates at 0.1% and by a 7-2 margin to continue the level of quantitative easing although concerns around higher inflation were signalled. The UK indices were in positive territory in the quarter with the FTSE 250 performing relatively better than the FTSE100 and FTSE small cap.

Elsewhere, the oil price was strong in the period, due to strong world economic growth and declining inventories. The quarter saw the vaccine rollout gather pace in Europe after a slow start. Despite increasing forecasts for Eurozone growth and inflation, the European Central Bank announced that it would not overreact to transitory supply shocks which are driving inflation higher.

### PERFORMANCE & ACTIVITY

Fund outperformance was aided by overweight positions in Media and Life Insurance and underweight positions in Industrial Metals & Mining. Overweight positions in Software and Computer Services and underweight positions in Oil, Gas & Coal impacted performance. At a stock level, Sumo (Video Games), Sosandar (Online Apparel), S4 Capital (Media), and FDM (IT Services) were amongst the biggest contributors to performance whilst detractors included Actual Experience (Software), Argentex (Financials), Smith & Nephew (Health Care) and Sabre Insurance (Insurance).

Fund activity included starting a position in Convatec, a health care company, which manufactures medical and surgical equipment focused on chronic conditions and Wise, a technology company focused on making moving and managing money around the world cheaper. We took part in the IPO of Microlise, a software company focusing on transport management. We participated in share placings for Hotel Chocolat, with the proceeds being used to fund capital investment to increase long term sales capacity and Essensys, with the proceeds being used to accelerate the company's growth strategy and product development. We increased our positions in Actual Experience, Hollywood Bowl, On The Beach, Ashmore, Sabre Insurance, Hargreaves Lansdown, Shaftesbury and Mattioli Woods. We took profits in JTC and Knights and reduced our holding in IG Design. We sold out of Sumo and Abrdn.



## OUTLOOK

Mistrust still exists between the UK and EU, and the Northern Ireland protocol is likely to see increasing tensions between both sides. A structural shortage of heavy goods vehicles drivers has led to disruption in various industries and this disruption is likely to continue. Record wholesale gas and electricity prices have seen several energy retailers collapse and more could follow which could lead to a rise in the cost of living and have negative implications on consumer spending. European economic activity is likely to be strong as the vaccine rollout programme improves following a slow start although global supply chain bottlenecks could have a dampening effect. 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 will continue in their quest to ascertain whether the current inflationary environment is transitory or permanent and this will have implications for the future path of interest rates and support programmes.

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. The Fund's focused and disciplined investment strategy has delivered material outperformance over the FTSE All Share over 1, 3, 5 and 10 years.

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**

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