

### PERFORMANCE

	3 Months	6 Months	ITD*
Fund Performance (B Class)	5.8%	9.4%	2.7%
FTSE World TR GBP	4.8%	7.3%	3.5%
IA Global	4.1%	6.0%	0.2%
Sector Quartile	2	2	2

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested. \*Inception: 24 Jan 2022

### MARKET REVIEW

Global equities (as measured by the FTSE World Index) delivered a total return of 4.8% (in sterling terms) over the first quarter. Markets were initially buoyed by the prospect of peak inflation and started to price in a possible easing in central bank policy later in the year. However, data early the quarter pointed to stickier inflation, increasing the likelihood of rates staying higher for longer. More concerning was the collapse of Silicon Valley Bank (SVB), however, with contagion quickly spreading through the banking sector, producing a flight of deposits out of regional banks to larger peers and ultimately leading to the emergency takeover of Credit Suisse by UBS. These were the first major cracks to appear in the financial system and economy following the tide of interest rate hikes over the last year. Given the impact of this is likely to create tighter bank lending standards and hence a tighter monetary environment, the market yet again shifted expectations for Fed policy to one where rates will be cut sooner.

On the Green Revolution front, the Intergovernmental Panel on Climate Change's (IPCC) published its Sixth Assessment Report (AR6) in March, and it made for grim reading. The report specifically states: "It is unequivocal that human influence has warmed the atmosphere, ocean and land and with every additional increment of global warming, changes in extremes continue to become larger - some extreme events which previously had a low likelihood will become more frequent, and there will be a higher likelihood that events with increased intensities, durations and/or spatial extents unprecedented in the observational record will occur." However, there is also some encouragement. Given the near-linear relationship between cumulative anthropogenic carbon dioxide (CO2) emissions and global warming, the report makes it clear that a reduction in the pace of emissions would slow the warming process. Combined with CO2 removal techniques or negative emissions, net CO2 emissions would fall more quickly (the rationale that underpins widespread Net Zero targets); and, ultimately, the removal of legacy emissions or net-negative emissions could reverse the global warming process.

### PERFORMANCE & ACTIVITY

Against this backdrop the EdenTree Green Future Fund returned 5.8%, outperforming both the FTSE World TR Index and IA Global peer group. The Fund benefited from its allocation to Circular Economy solutions, with holdings such as Clean Harbours and Veolia Environment performing strongly after delivering solid quarterly results, which broadly demonstrated resilient levels of growth in challenging operating conditions. Absolute and relative returns were also boosted by the Fund's allocation to Energy Efficiency, with holdings such as Schneider Electric, Enel, and ANSYS continuing to outperform corporate and consensus expectations during the calendar year fourth quarter earnings season. The Fund also benefited from the strong performance of its holding in Future Mobility leader Aptiv, which during the quarter hosted its first Investor Day since 2018, during which the company's management team provided medium-term total addressable market (TAM), operating profit and free cash flow estimates that exceeded prior guidance and investor expectations. In terms of investment activity, within Regenerative Agriculture the Fund's allocation to Valmont Industries was trimmed following a sustained period

of strong share price performance. Additionally, within Alternative Energy, the Fund's existing position in Hannon Armstrong Sustainable Infrastructure Capital was augmented. 'HASI' is a leader in debt and equity financing to the energy efficiency and renewable energy markets in the United States. The Fund also established a new position in NextEnergy Solar Fund, a solar and battery storage infrastructure fund that invests in operating solar power plants in the UK, mainly on agricultural, industrial and commercial sites.

## OUTLOOK

The current uncertainty surrounding the global macroeconomic outlook creates the potential for further volatility in equity markets in the months ahead. The uncertainty largely relates to the outlook for economic growth and the increasing possibility that broad-based inflationary pressures, if sustained, could lead to greater-than-anticipated demand destruction, and a broad softening in the global economic backdrop. Additionally, persistent inflation and materially higher bond yields could lead to further multiple compression within risk assets. While this has unwound to some degree in recent months, we do still see vulnerability to a further normalisation in interest rates for those companies where profitability remains a distant potential and where valuation is not underpinned by cash flow expectations. There is also the possibility of policy error (tightening into a slowing economy) or stagflation (perhaps forcing the hand of central banks).

While we are tactically cautious over the near-term, reflective in a larger-than-usual cash balance on the Fund, we remain constructive on the long-term outlook for environmental solutions globally. We believe that we remain at the nascent stages of a climate-focused industrial revolution, as governments, corporates and consumers increasingly seek renewable sources of energy generation, circularity, as well as cleaner, safer and more reliable sources of key resources such as food and water. The recently initiated Inflation Reduction Act (IRA) in the US and the REPowerEU initiative represent major milestones for this pervasive, multi-decade investment opportunity. Moreover, while company outlooks have become more muted against the challenging backdrop, market valuations in some cases have become overly pessimistic, creating compelling opportunities for our long-term investment approach.

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