

PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Fund Performance (B Class)	2.9%	8.3%	-5.3%	-	-	-
IA Mixed Investment 40-85% Shares	2.3%	5.3%	-4.6%	-	-	-
Sector Quartile	2	1	3	-	-	-

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

MARKET REVIEW

Global stock and bond markets posted another quarter of positive performance to start 2023. However, this headline performance masked a choppy period for markets amid a series of ongoing economic, market and geopolitical challenges. Among key markets, the FTSE All-Share climbed 3.1%, the FTSE World Europe ex UK rose by 9.1%, while the S&P500 was up 5.3% in sterling terms.

Central banks continued to tighten monetary policy, with the US Federal Reserve, the European Central Bank and the Bank of England all raising interest rates twice during the quarter, although the pace of these hikes was moderated as inflation in most areas (bar the UK) is perceived to have peaked.

The first repercussions of this hiking cycle became evident in March with the failures of several regional US banks while, in Europe, the already troubled Credit Suisse fell victim to fears of broader contagion across the banking sector. Monetary authorities acted quickly to soothe distressed markets and reassure bank depositors, but the banking sector's recent strong performance came to an abrupt halt at the end of the period.

After a strong start to the year, bond markets were unsettled by both inflation and economic data remaining persistently strong, which hinted at the possibility of central banks needing to tighten monetary policy more than anticipated. These concerns were waylaid when the banking crisis sparked fears of a new credit crunch and briefly prompted speculation of imminent rate cuts instead. UK 10-year bond yields eased back to 3.5% after starting the quarter at 3.7%, and corporate bond spreads narrowed to 157 basis points from 163 at the end of December. The US 10-year Treasury bond yield ended the quarter at 3.5%, down modestly from 3.9% although not without some volatility.

PERFORMANCE & ACTIVITY

The EdenTree Responsible and Sustainable Multi-Asset Balanced Fund increased in value over the quarter, generating a return of 2.9%, but outperformed its IA Mixed Investment 40-85% Shares benchmark, which generated a return of 2.3%.

Encouragingly, the Fund has outperformed over three and six months, a period of heightened volatility in markets. The largest contributions to returns came from the portfolio's exposure to Global Equities (via the R&S Global Equities Fund and Green Future Fund), as well its exposure to the R&S European Equity Fund, a market that significantly outperformed during the quarter. Our dedicated green strategies added value thanks to the ongoing structural shift away from high-carbon areas, and investment into renewables was further amplified by Europe's pivot away from Russian energy sources. Returns for the Fund's fixed income exposure were also positive, albeit more muted, with the underlying portfolio's delivering defensive returns during periods of turbulence due to its relatively short duration and credit positioning. Less successful was the Fund's exposure to Green Infrastructure, an area that has been affected by interest rate volatility but continues to be an excellent source of income, with an element of inflation protection, which boasting attractive long-term potential. The Fund's exposure

R&S Multi-Asset Balanced

Q1 2023 Commentary



Performance
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to REITs, another high income area, also proved a modest drag on relative performance, as recent interest rate rises continued to work through the sector.

OUTLOOK

While we are mindful of continued economic headwinds, as well as the ongoing war in Ukraine, it is our view that the macro picture will prove to be healthier than is currently being forecast. The reopening of China, post its strict zero-Covid measures, should be a positive driver of growth, and in regions where growth is slowing employment remains steadfast and should help economies avoid falling into recession. With central banks already stepping off the gas in terms of rate hikes, monetary policy is likely to plateau over the near term even though the full effects of their previous actions are still being worked through the economic system. And while inflation may have peaked in most areas, it is likely to remain sticky at around 3-4%.

In this context, we continue to favour value over growth as we remain concerned that some growth sectors – notably technology – are still feeling the pinch of the retraction in demand post-Covid, as well as a decline in corporate spending. Following the equity sell-off in March, we have increased the Funds' overweight equity position and are focusing on Europe and the UK over the US, which is biased towards growth areas of the market. Due to the uncertain macro outlook, we remain neutral in our fixed income positioning, and we continue to focus on quality credit in recognition of the increased default risk in these less stable economic times. Overall, we believe the Fund remain well-diversified and well-positioned to navigate the uncertain economic backdrop.

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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