

### PERFORMANCE

|                                   | 3 Months | 6 Months | 1 Year | 3 Years | 5 Years | 10 Years |
|-----------------------------------|----------|----------|--------|---------|---------|----------|
| Fund Performance (B Class)        | -0.9%    | 1.7%     | 1.2%   | -       | -       | -        |
| IA Mixed Investment 20-60% Shares | -0.4%    | 1.2%     | 1.2%   | -       | -       | -        |
| Sector Quartile                   | 3        | 2        | 3      | -       | -       | -        |

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

### MARKET REVIEW

Global stock and bond markets produced mixed returns during the quarter. While further fallout from the mini crisis in the US banking sector was contained, the inflation dilemma remained front and centre for central banks. However, despite a darkening economic mood, a narrow group of US mega-cap tech names, led by Nvidia, surged to new highs on excitement about the potential for AI to underpin a technology revolution – albeit with broader concerns about AI’s potential risks.

A relatively confident 3.7% gain in the FTSE All World Index during the quarter was driven by gains in the US, with the NASDAQ and S&P500 climbing 9.8% and 5.6% respectively. Japan’s Nikkei225 gained 5.8%, with investors attracted to the country’s economic strength, improving corporate governance and unique geopolitical position as an alternative route to growth in China and the wider Asia Pacific region. Returns for bourses elsewhere in the world were more lacklustre. The FTSE World Europe Index ex UK returned a meagre 0.4%, while the FTSE All-Share eased 0.6%, with the latter particularly troubled by persistent core inflation. Emerging market indices ended the quarter weaker: both the FTSE World Asia Pacific Ex Japan and MSCI Emerging Market Indices ended down roughly 2%, with China’s economic reopening stalling. Quality and Growth investment styles outperformed Value on a global basis.

As is often the case during periods of heightened economic uncertainty, bond investors were more circumspect than equity counterparts. 10-year government bond yields ended higher in the UK, Europe and US, while inverted yield curves, where shorter-dated bond yields are higher than those of longer dated bonds, continued to indicate recessionary conditions were forthcoming.

Inflation was once again a dominant feature of the quarter. In June, the Bank of England (BoE) surprised the market with a hawkish 0.5% interest rate rise, lifting the bank rate to 5%. This came after a CPI print of 8.7%, with core inflation reaching a level of 7.1%, its highest rate since 1992. With the Bank of England determined to get on the front foot, the bank rate is now expected to reach 6% by the end of 2023. Policy makers in Europe and the US grappled with a similar problem, with inflation remaining stickier than expected earlier in the year. After 10 consecutive hikes, the Federal Reserve paused its policy, leaving rates unchanged at 5%-5.25%. It framed the move as a “hawkish pause” signalling that further tightening was imminent. The European Central Bank (ECB), meanwhile, increased rates in two 0.25% increments to a level of 4.0%.

### PERFORMANCE & ACTIVITY

The EdenTree Responsible and Sustainable Multi-Asset Cautious Fund lost ground during the quarter in absolute terms and relative to its IA Mixed Investment 20-60% Shares benchmark.

The narrow market leadership of the US technology giants veiled generally more challenging conditions across asset classes, with the more hawkish mood leading to falls in REITs and Green Infrastructure, to the detriment of Fund performance. The derating of Green Infrastructure appeared misplaced given many of underlying returns on these assets

tends to be protected by rising inflation, which also tends to offset the impact of rising interest rates. The Fund's UK bond holdings through the EdenTree R&S Sterling Bond and Short Dated Bond funds lost ground in absolute terms but were relatively resilient due to their shorter duration. More positively, the Fund's exposure to the R&S Global Equity Fund, which benefited from gains in US technology stocks, and holdings in the R&S UK Equity and R&S UK Equity Opportunities Funds, which outperformed the wider market, added value.

## OUTLOOK

The shadow of recession is looming over the US, where its banking system appears to be in poor shape following the collapse of several regional banks and domestic consumers appear to be over-extended, having used up all of their excess pandemic funds. In contrast, Europe is further behind the US in the economic cycle, its banks are in a stronger position this time around and its consumers are holding up well. Although Europe is continuing to suffer from the impact of the Ukraine war and its damaging effect on inflation, the relative economic outlook for Europe versus the US and the UK is more positive than it has been since the credit crunch in 2008. The UK is grappling with stickier inflation than global peers, which could lead to a prolonged period of tighter monetary conditions weighing on the economy.

Against this backdrop, we have slightly reduced the Fund's overweight to UK equities, with the economic backdrop remaining challenging and few catalysts for recovery, while increasing exposure to European equities. This has also led to modest rotation away from economically sensitive small and mid-cap stocks into larger caps and out of growth into value. We are happy to maintain value bias especially given the recent outperformance of growth was driven largely by large cap tech recovery. The yields on offer in fixed income markets are increasingly attractive and the portfolio has slightly lengthened duration, with a preference for overseas bonds rather than those in the UK where the rate tightening cycle is behind the US and Europe. Meanwhile, we continue to maintain the portfolio's exposures to Green Infrastructure and REITs with both attractively priced after recent market falls.

---

For 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.