



## The EdenTree Responsible & Sustainable European Equity Fund

Discover the European Value Opportunity



### Fund Overview

The EdenTree Responsible and Sustainable European Equity Fund aims to achieve long-term capital growth over five years or more with an income through a diversified portfolio of European (ex-UK) companies. The Fund aims to invest at least 80% in European (ex-UK) companies by investing in companies which make a positive contribution to society and the environment through sustainable and socially responsible practices.

### Investment Focus:

Europe ex UK equity fund

### Investment Objective:

Aims to achieve long-term capital growth over five years or more with an income through a diversified portfolio of European (ex-UK) companies

### Fund Style:

Value and contrarian

### Approach:

Bottom up, seeking attractive valuation relative to fundamentals

### Portfolio Construction:

A diversified portfolio of 50-70 responsible and sustainable companies

### Benchmark comparator:

IA Europe excluding UK and MSCI Europe excluding UK

**Europe is home to many of the world's leading sustainable companies – offering investors access to powerful long-term growth trends, including renewable energy, the circular economy and the development of the green grid. European companies are also pioneering the technologies and equipment needed to decarbonise the economy, providing further sustainable investment opportunities.**

### The EdenTree Responsible & Sustainable European Equity Fund

It invests in sustainable companies that we believe are undervalued and offer attractive earnings and cash-flow growth. The fund, which launched in 1999, has been managed by Chris Hiorns since 2007.

### Europe's sustainable landscape: the case for strategic investment

With its comprehensive regulations, cultural commitment and its emphasis on corporate responsibility, Europe is at the forefront of sustainable investing. Regulations such as the European Green Deal, which aims to make Europe the first climate-neutral continent by 2050, demonstrate its commitment

to environmental sustainability and its leadership in setting ambitious climate goals.

Europe's markets are home to world-leading companies in various sectors, with strong dividends and robust corporate governance. Political developments and economic uncertainties can create opportunities for value investors to purchase high-quality companies at attractive prices. This combination of diverse market opportunities, undervalued stocks and high dividends make Europe an attractive destination for value investors seeking to uncover overlooked opportunities and achieve long-term growth.



### Value and sustainability: our investment process

The investment process of the EdenTree Responsible & Sustainable European Equity Fund combines bottom-up stock-picking with a commitment to responsible and sustainable investing. Each potential investment undergoes rigorous fundamental analysis within a value-oriented framework as well as being screened for its ethical practices and its adherence to environmental, social and governance (ESG) criteria.

The fund's emphasis on value means that it takes an inherently contrarian stance, focusing on stocks that are out of favour. The fund seeks to avoid companies that are 'value traps' and also companies trading at excessive valuations, which can arise during bouts of market speculation. The fund achieves this by investing in companies that are trading at attractive valuations yet still maintain strong market positions, enabling them to grow over time.

### The fund's holdings fall into three main categories: income accumulators, contrarian plays and value with hidden growth.

- **Income accumulators** are well-established businesses with relatively stable earnings and strong cash flows that are distributed to shareholders via dividends. The fund looks for companies with a long history of sustainably delivering cash flows back to shareholders. Income accumulators represent roughly 45-50% of the overall portfolio.
- **Contrarian plays** are companies that are trading at low valuations and are out of favour with the rest of the market. Over the short term, these companies may have depressed cash flows affected by short-term market or structural factors. Over the long term, however, these factors are expected to reverse.
- **Value with hidden growth** companies are those that haven't always generated high levels of growth but are in mature industries where potential growth opportunities have been overlooked by the wider market.

The fund's approach rests on the belief that the best way to generate long-term returns is to invest in companies that can grow their cash flows over time – and are trading at attractive valuations.

The outcome is a diversified portfolio of 50-70 responsible and sustainable companies, which trade in aggregate at a significant discount relative to the benchmark and have historically generated strong yields.

The level of income is not fixed and may change in the future.

### Balance your portfolio with value-driven diversification

The EdenTree Responsible & Sustainable European Equity Fund's focus on value differentiates it from its competitors, which typically have a growth bias. This means that the fund offers diversification benefits for sustainable investors and their clients, who may be over-exposed to growth and looking to create more balanced portfolios. At the same time, the fund seeks to offer strong investment returns aligned with positive environmental and societal change.

### The value opportunity

In low interest rate environments, such as the environment seen between 2020-2022, growth companies tend to outperform value companies. However, with more recent high inflation and subsequently higher interest rates, we have seen a market rotation back to value stocks. Through the fund's investment process, we aim to seek out companies that aren't simply undervalued but those we believe to be poised to perform well and grow cash flows over the long term.



## The EdenTree Team

Chris Hiorns, EdenTree's Head of Multi Asset Strategies and European Equities, has managed the fund since 2007. Chris has over 25 years of experience investing across asset classes. Beginning his career as a fund manager during the dot-com bubble (where US equity valuations of internet-based companies rapidly rose only to fall in the early 2000s), Chris's scepticism of the excessive valuations at this time solidified his stance as a value-oriented, fundamentals-focused investor. Chris is assisted by David Osfield, who joined as co-manager of the fund in September 2016, and Lauren Smith, who recently joined as Associate Fund Manager in July 2024.

The managers are supported by our Responsible Investment Team, who ensure that each investment is suitable for the fund from a responsible and sustainable investment perspective. The longstanding relationship between the managers and the Responsible Investment Team has played a crucial role in the fund's long-term outperformance. Our responsible and sustainable investment process is also overseen by an Independent Advisory Panel that meets three times a year. This panel comprises industry and business experts, appointed for their specialist knowledge.



### Chris Hiorns

Head of Multi-Asset and European Equities

Chris Hiorns joined EdenTree in 1996 as a Graduate

Trainee and Investment Analyst, and has been running responsible and sustainable money since 2008. Chris is EdenTree's Head of Multi-Asset and European Equities and is the lead Fund Manager on multiple EdenTree strategies including the EdenTree Responsible and Sustainable European Equity Fund and the Multi-Asset range of funds. Chris holds an MSc in Economics from University College London and is a CFA Charterholder.



### David Osfield

Fund Manager

David joined EdenTree in 2016 and leads management of the EdenTree Responsible & Sustainable Global

Equity Fund, including leading EdenTree's "Sustainable Global Equities for a Just Transition" segregated strategies, reflecting his strong advocacy and passion for sustainable and responsible investment. He began his career at Alliance Trust in 2002, where he focused on Global, Asian and European equities, latterly working with the Sustainable Futures Team. David has been a CFA Charterholder since 2007, and has a 1st class BA (Hons) in Business Finance from Durham University.



### Lauren Smith

Associate Fund Manager

Lauren is Associate Fund Manager in EdenTree's European Equity Team. Lauren joined

from Rathbones where she was a Global Equity Analyst, providing sector and company analysis across the consumer discretionary and mining sectors. Prior to this Lauren held roles as Associate at BlackRock and European Equities Analyst at British Airways Pensions, having graduated from Nottingham University with a BA (Hons) in Russian Studies, Russian Language and Literature. Lauren is a CFA Charterholder and also holds the CFA Certificate in ESG Investing.

### Why EdenTree?

EdenTree is a responsible and sustainable investment manager with a strong heritage. We are proud to be part of the Benefact Group – a charity-owned, international family of specialist financial service companies that give all available profits to charity and good causes.

EdenTree launched its first ethically screened fund back in 1988, which shows our dedication to responsible and sustainable investing.

Partnering with us means you are providing your clients with a suite of investment strategies designed to help address environmental and social challenges while also seeking to deliver competitive rates of return.

For more information on the The EdenTree Responsible & Sustainable European Equity Fund, please contact your EdenTree relationship manager, or get in touch with us at:



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The value of an investment and the income from it may go down as well as up and the investor may not get back the amount invested.

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