Q2 2020 COMMENTARY
AMITY EUROPEAN FUND

QUARTER TO END JUNE 2020

PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Fund Performance (B Class)	21.68%	-5.68%	-4.92%	-3.87%	39.83%	119.49%
FTSE World Europe ex UK TR GBP	18.87%	-1.92%	0.55%	11.25%	52.25%	137.34%
IA Europe ex UK	20.84%	-1.98%	1.03%	7.85%	46.40%	136.00%
Sector Quartile	1	3	4	4	3	3

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

REVIEW

Investor's concerns on the lasting impact of coronavirus and any economic damage the associated lockdown measures may create, were bridged by the unprecedented support and policies implemented by Central Banks and Governments around much of the world. The speed at which these policies were initiated at the outbreak of the pandemic and have been continuously assessed throughout, has market participants expecting a strong economic recovery that has been reflected in equity market performance.

German Chancellor Angela Merkel announced €130bn in fiscal stimulus whilst the European Central Bank (ECB) expanded its quantitative easing programme by a further €600bn. Stock markets continued to rebound as policy responses had positive effects that could be seen through improving macroeconomic data. This macroeconomic data was closely monitored over the quarter with positively surprising data driving further risk on sentiment whilst any backwards looking negative data was seemingly overlooked. April's Eurozone Unemployment rate was better than feared coming in at 7.3% compared to expectations of 8.2% and May's Purchasing Managers Index (PMI) data set also showed improvement.

PERFORMANCE & ACTIVITY

The Amity European Fund outperformed the benchmark and its wider sector average over the quarter, with cyclical investments particularly strong, whilst the value investment style was a tailwind nearer the close of quarter. At a sector level, Technology continued to be the best performing, given its long term growth profile and natural defensiveness. This was a narrow headwind for us given the funds underweight positioning. We saw some significant sector rotation over the quarter, as Industrials and Materials were then next strongest sectors overall, and the fund generated strong relative outperformance through stock selection. The Healthcare sector had understandably benefitted earlier in the year but was weaker this quarter with higher beta areas outperforming. A further positive allocation came as the energy sector continued to struggle and was the worst performing area of the market, aiding our outperformance given the lack of exposure on environmental grounds.

Individual stocks that were particularly strong included Post NL, the fund's best sole contributor, following improved guidance for full year earnings on the back of strong performance in the groups parcel division, benefitting from the Covid-19 induced ecommerce boom. The fund's holding in Envea, a small-cap French listed air quality monitoring company, saw strong gains as it was subject to a takeover bid from global private equity firm Carlyle Group. We also saw sustainably focused economic development touted as a future policy focus for the European Union that benefitted holdings in Saint Gobain, Rexel, Prysmian and Rockwool, who were also positive benefactors themselves of the rally in cyclical businesses. On the downside, the best performer in Q1, Draegerwerk, became this quarter's largest detractor as shares cooled off following their strong gains paired with the broader weakness seen in the healthcare sector.

We added a new position early in the quarter in French listed dairy and consumer staple Danone, which had fallen to an attractive valuation in the market sell off. Its plant based business offers revenue growth whilst its specialised nutrition division has industry leading margins supporting its attractive dividend.

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OUTLOOK

Nearer the quarters end we saw the much anticipated reopening of economies and with it came the first signs of improving outlook. The planned reopening of more parts of the global economy combined with the pent up demand and accumulated savings of consumers, and continued fiscal and monetary stimulus, we are confident in a strong recovery in demand which should provide a positive backdrop for the equity markets, particularly for cyclical 'value' stocks which are trading on very historically attractive multiples of normalised earnings. As such there is no significant change to our positioning, and we remain positive on the longer term recovery.

To obtain 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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