

# EdenTree European Equity Fund

## Q2 2025 Commentary



### PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Fund (B Class)	9.5%	18.9%	16.9%	55.3%	83.3%	156.3%
MSCI Europe ex UK Net TR GBP*	5.6%	13.5%	8.8%	46.6%	61.9%	146.5%
IA Europe Excluding UK	7.2%	13.1%	9.0%	44.4%	56.3%	128.8%
Sector Quartile	1	1	1	1	1	1

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested.  
Data as at 30.06.2025

### MARKET REVIEW

The second quarter of 2025 started on a negative note, with US President Trump's higher-than-expected 'Liberation Day' tariffs sparking a worldwide sell-off. However, Trump's subsequent tariff pause gave rise to hopes that tariffs were a negotiating stance rather than a red line, triggering a strong recovery that helped European markets extend their year-to-date gains, especially as recessionary fears eased.

In Europe, and Germany in particular, the positive fiscal momentum continued amid signs that plans for increased defence and infrastructure spending were moving forward. The continued decline in inflation, as well as the growing concerns about the potential impact of US trade policies on the European economy, meant the European Central Bank (ECB) cut interest rates by 25 basis points (bps) in both April and June, bringing the deposit rate down to 2.00%. The euro's appreciation versus the US dollar – reflecting growing doubts about ongoing US exceptionalism – helped ease inflation pressures, but ECB president Lagarde signalled a likely pause in the easing cycle unless there was a new escalation in trade tensions.

### PERFORMANCE & ACTIVITY

The EdenTree European Equity Fund outperformed its benchmark and the IA Europe excluding UK sector over the period and on a year-to-date basis.

The Fund's overweight exposure to the financial sector, notably banks, continued to be a key contributor. Alongside general investor confidence towards banks, the industry was also supported by takeover speculation. German bank Commerzbank continued to benefit from Italian bank UniCredit's acquisition attempt. The Dutch bank ABN Amro also contributed positively. Elsewhere within financials, Spanish multinational insurer Mapfre was among the portfolio's top contributors.

The portfolio also benefited from its lack of exposure to the auto sector, which was negatively affected by the implementation of US tariffs, and luxury goods, which continue to feel the impact of weakness in the Chinese economy.

Among the key detractors to performance were Swedish home appliance manufacturer Electrolux, whose first quarter earnings disappointed, with its performance also impacted by tariff concerns. French pharmaceutical and healthcare company Sanofi lost ground amid fears over the Trump administration's plans to clamp down on the pricing of pharmaceuticals, as well as the Health Secretary Robert F Kennedy's well-publicised aversion to vaccines. Koninklijke Philips was another healthcare provider that underperformed during the quarter.

Although the Fund does not hold any direct exposure to defence stocks, which have been boosted by fiscal spending plans, we expect many of the Fund's holdings to benefit from the additional expenditure.

In terms of portfolio positioning, we took the opportunity to trim some profits from the Fund's outperforming financials

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position. We redeployed these funds into domestic defensive companies, which we feel will be less affected by the tariff war. We also added to our small- and mid-cap cyclical holdings, which had been devalued excessively, and we believe now represent attractive long-term opportunities. We also reintroduced the German science and technology company Merck into the portfolio. Having previously taken profits from this holding after we believed its valuation became too high, we felt that now was a good time to reestablish a position.

### OUTLOOK

Outlooks always contain an element of uncertainty, but this is particularly pertinent at present as companies' first quarter earnings guidance generally didn't account for the potential impact of new US tariffs. In fact, the level of most tariffs remains uncertain, which could see second quarter figures come in weaker-than-expected. The economic environment in the second half may also not be as resilient as in the first half, meaning a fundamental factor behind the second quarters' V-shaped recovery may not offer the same level of support going forward.

In light of this opaque economic and corporate outlook, the portfolio remains slightly more defensive than usual, although it retains its exposure to cyclical areas of the market and continues to favour value over growth. The Fund's overweight to the banking sector is also slightly smaller than it was at the start of the second quarter. The material volatility we are seeing across global markets should create market opportunities, as good companies are unfairly punished amid indiscriminate selling. Therefore, we continue to look for attractive opportunities among cyclical stocks.

PERFORMANCE DISCRETE ROLLING 12 MONTHS	12 Months to 30/06/2021	12 Months to 30/06/2022	12 Months to 30/06/2023	12 Months to 30/06/2024	12 Months to 30/06/2025
Fund (B Class)	27.1%	-7.2%	19.0%	11.7%	16.9%
MSCI Europe ex UK Net TR GBP*	22.8%	-10.1%	19.6%	12.6%	8.8%
IA Europe Excluding UK	23.8%	-12.5%	18.6%	11.7%	9.0%
Sector Quartile	2	1	3	3	1

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

Past performance is not necessarily a guide to future returns.

\*The MSCI Europe ex UK GBP Net Total Return Index was adopted as the Fund's comparative benchmark on 1 January 2024, replacing the FTSE World Europe ex UK Index. As the Fund invests in a diverse range of European (ex UK) companies and sectors, we compare the Fund's performance to the MSCI Europe ex UK GBP Net Total Return Index. However, the portfolio manager is not bound or influenced by the index when making investment decisions.

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Firm Reference Number 527473.