Q2 2026 Commentary

EdenTree Sustainable UK Equity Fund

Performance	3 months	6 months	1 year	3 years	5 years	10 years
Fund Performance (B Class)	10.1%	6.5%	7.6%	21.6%	6.3%	51.7%
FTSE All-Share TR GBP*	4.7%	7.2%	21.9%	53.1%	67.9%	129.8%
IA UK All Companies	7.2%	5.0%	12.5%	37.7%	33.5%	97.9%
Sector Quartile	1	2	3	4	4	4

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested. Data as at 30.06.2026

Market review

After a volatile start to the year, triggered by war in the Middle East, UK equities performed strongly in the second quarter, helped by an uneasy truce as peace negotiations between the US and Iran got underway.

For equities globally, the supercharged rally in artificial intelligence (AI) related stocks resumed, with some extraordinary gains in areas such as semiconductor equipment and memory chip manufacturing. However, this had a relatively small impact in the UK, where few stocks are exposed to this trend.

UK banks contributed strongly to the FTSE All-Share's returns during the quarter, as gilt yields declined from the highs in the run-up to the war. In contrast, oil and mining stocks declined due to the ceasefire in the Middle East.

The resignation of Prime Minister Sir Keir Starmer had little impact on markets, mainly because his likely successor, Andy Burnham, committed to respecting Starmer's existing fiscal rules. The Bank of England (BoE) kept rates unchanged, signalling it remained alert to inflation risks but was yet to see signs of more persistent price pressures emerging.

Performance and activity

The EdenTree Sustainable UK Equity Fund performed significantly ahead of its benchmark, the FTSE All-Share, over the quarter.

This was due to a combination of factors. In a reversal from the first quarter of the year, the decline in oil and mining stocks was a tailwind for the Fund, as these are excluded from our investable universe under our sustainable screening assessment, the EdenTree Standard.

The Fund also benefitted from its holdings in Intertek and Segro. Intertek, a testing and certifications company, finally accepted an offer from private equity firm EQT after multiple rounds of increased bids. The real estate investment trust Segro received (and rejected) an offer from a larger US rival, but this was at a level we considered far below fair value. The offer, as proposed, was to be paid in shares, which we also consider inadequate. We shall wait and see how this story unfolds. Our holding in geotechnical engineering Keller Group also contributed positively during the quarter.

In terms of detractors, the Fund's performance was affected by an underweight position in bank stocks, most notably HSBC, which we do not own. Our holding in energy company SSE gave up some of its gains year-to-date. Otherwise, there was no real news that negatively affected any of our holdings.

During the period, we did not trade much. We reduced our holding in Keller Group, as it had risen by over 60% in the year-to-date and was becoming a large position for us.

Outlook

The tentative peace settlement in the Middle East appears to have eased investor concerns about the inflationary impact of higher energy prices, reducing expectations of interest rate rises. In fact, economic growth has held up well in the US and, to a lesser extent, in the UK. While energy price inflation is having some impact on headline inflation, core inflation (excluding energy costs) is slightly ahead of most central banks' target levels. However, our expectation is that there are unlikely to be any interest rate hikes by the BoE in the immediate future.

Of greater concern is the enormous investment being directed towards AI infrastructure, which has created extraordinary equity market distortions. There is little dispute that AI will have huge ramifications for many aspects of society, but we believe there is increasing scope for a short-term equity bust as reality falls short of the hype, not least as the revenue models of the large model providers are not clear.

Our view remains that, barring a broad equity sell-off, the UK market is likely to remain relatively insulated from AI-related weakness. Indeed, some of our holdings have been hit by speculation that they are at risk from AI adoption, a view with which we do not agree. We believe these holdings may even be beneficiaries from less AI-related hype.

Our portfolio contains a range of compounders (lower growth but reliably steady businesses) through to higher growth, more speculative businesses. We remain confident in the overall risk and reward prospects for the portfolio. It remains a widely diversified portfolio, which is spread across many different industries and sectors that we believe should offer resilience against the unpredictable. Vital to this is our investment process, which incorporates our thorough sustainability assessment, the EdenTree Standard.

Performance Discrete Rolling 12 months	12 months to 30/06/2022	12 months to 30/06/2023	12 months to 30/06/2024	12 months to 30/06/2025	12 months to 30/06/2026
Fund Performance (B Class)	-17.5%	5.9%	2.6%	10.1%	7.6%
FTSE All-Share TR GBP*	1.6%	7.9%	13.0%	11.2%	21.9%
IA UK All Companies	-8.6%	6.1%	12.7%	8.6%	12.5%
Sector Quartile	4	3	4	2	3

*As the Fund invests in a diverse range of UK companies and sectors, we compare the Fund's performance to the FTSE All Share Index. However, the portfolio manager is not bound or influenced by the index when making investment decisions.
Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested.

Past performance is not necessarily a guide to future returns.

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