

EdenTree Sustainable Managed Income Fund

Performance	3 months	6 months	1 year	3 years	5 years	10 years
Fund (B Class)	-0.6%	3.9%	10.8%	26.9%	32.8%	79.6%
FTSE All-Share TR GBP*	2.4%	8.9%	21.5%	45.6%	69.3%	129.8%
IA Mixed Investment 40-85% Shares	-1.7%	1.5%	11.1%	26.3%	26.9%	84.5%
Sector Quartile	1	1	3	3	2	3

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested. Data as at 31.03.2026

Market review

The first quarter of 2026 can be divided into two parts. The first two months were characterised by strong European equity markets and a flat US market, as investors began to consider the potential 'losers' of artificial intelligence (AI) rather than just the 'winners'. Investor concerns that software and data-driven businesses could be disrupted by rapid advancements in AI, reinforced by the launch of AI products from providers such as Anthropic, drove a sharp and often indiscriminate sell-off across areas from business software to stock exchanges. This was despite evidence that suggested many of these companies are well positioned to benefit from AI.

This initial phase ended abruptly with the sudden onset of war in the Middle East, as the US and Israel launched strikes on Iran. Market attention shifted rapidly, with few hiding places for investors. In March, bond markets sold off sharply as the market rapidly priced in a series of interest rate rises, where prior to the start of war, further central bank cuts were expected. Gold and cryptocurrencies performed badly, belying their supposed safe-haven status. Gold had already rallied significantly in the months prior, so the suggestion was that it was an easy source of profits for investors to meet margin calls elsewhere. Equities, however, bore the brunt. European and Asian markets fell more sharply than the US, reflecting their greater exposure to higher energy costs. But there were some winners. Oil-related equities rose, alongside 'accidental' beneficiaries such as aluminium and fertiliser producers outside the Gulf. Utilities and other defensive sectors such as telecommunications, despite falling in March, proved relatively resilient over the quarter.

Performance and activity

For the EdenTree Sustainable Managed Income Fund, there were few places to hide from the impact of the war, as our sustainable screening process excludes defence and oil companies. However, we did benefit from our exposure to green infrastructure. Ironically, infrastructure has been our weakest-performing investment basket in recent years, but market conditions have started to reverse that underperformance, reflecting the sector's inflation-linked revenues and exposure to renewable energy.

Our utilities holdings, such as National Grid and SSE, also proved defensive, alongside our telecommunications holdings such as KPN and exchange operators such as Deutsche Boerse. Utilities and telecoms sit within our 'capital preserver' basket, which comprises mainly defensive, lower growth businesses that pay a reliable dividend.

In contrast, our 'value' and 'dividend growth' baskets were relatively weak over the quarter. Our value basket includes banks, such as Standard Chartered and ABN AMRO, which performed strongly last year but typically struggle during periods of heightened market stress. Within our dividend growth basket, holdings such as RELX were caught in the narrative that AI could disrupt their business models. We do not share this view: RELX owns proprietary datasets and has been an early adopter of AI, using it to develop new revenue streams.

We added one new position during the quarter, initiating a holding in Standard Life (formerly Phoenix Group). The company was historically focused on acquiring closed pension books but has now evolved into a more diversified pensions and savings business. It generates excess cash, which is currently being used to reduce gearing, but over the next 12 months we expect it will be in a position to return more of this capital to shareholders, possibly through share buybacks. At the point of purchase, the dividend yield was over 8%.

Outlook

So far, 2026 has been a volatile and unpredictable year, with geopolitical developments once again proving disruptive for markets. If one assumes a reasonably rapid conclusion to the war in Iran, then investor expectations of higher interest rates may well prove too pessimistic. Clearly there could be some inflationary impact from the energy crisis in the Persian Gulf, but there is little evidence to suggest this will feed through into more persistent types of inflation, such as wages.

More likely, we would suggest that a demand shock from higher fuel and food costs will lead central banks more in the direction of rate cuts, or at least a period of no rate rises. However, there are many uncertainties at this point, and we can only be pragmatic and remain as diversified as possible in the face of extreme uncertainty.

Longer term, we continue to focus on our remit: to generate a resilient yield, with the potential for capital growth. Vital to this is our investment process, which incorporates our thorough sustainability assessment, the EdenTree Standard.

We have always held the view that we cannot build a portfolio around a specific set of potential circumstances and that a portfolio needs to be widely diversified to remain resilient through variable market conditions. Our focus is on our five investment baskets (Value, Dividend Growth, Capital Preservers, Fixed Income and Infrastructure), and we use these as a way to balance risk as market conditions evolve.

Performance Discrete Rolling 12 months	12 months to 31/03/2022	12 months to 31/03/2023	12 months to 31/03/2024	12 months to 31/03/2025	12 months to 31/03/2026
Fund (B Class)	8.2%	-3.3%	6.9%	7.2%	10.8%
FTSE All-Share TR GBP*	13.0%	2.9%	8.4%	10.5%	21.5%
IA Mixed Investment 40-85% Shares	5.3%	-4.6%	10.1%	3.3%	11.1%
Sector Quartile	2	2	4	1	3

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

*FTSE All-Share Index – This benchmark is a comparator against which the overall performance of the Fund can be measured. It has been chosen as the Fund's average market and sector exposure is biased in favour of UK equities and corporate bonds. The portfolio manager is not bound or influenced by the index when making investment decisions and the Fund's holdings may deviate from the benchmark's constituents.

Past performance is not necessarily a guide to future returns.

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