Q2 2026 Commentary

# EdenTree Sustainable UK Equity Opportunities Fund

| Performance | 3 months | 6 months | 1 year | 3 years | 5 years | 10 years |
|---|---|---|---|---|---|---|
| Fund Performance (B Class) | 12.2% | 0.2% | 0.7% | 23.6% | 0.6% | 81.5% |
| 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 | 4 | 4 | 4 | 4 | 3 |

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

## Market review

The FTSE All-Share delivered a positive return in sterling terms in the second quarter, supported by gains across UK indices. Small and mid-cap stocks outperformed, with the FTSE Small Cap and FTSE 250 both ahead of the large-cap FTSE 100.

The domestic backdrop was dominated by politics. Prime Minister Keir Starmer resigned following poor local election results for Labour and numerous resignations from his government. In June, the Bank of England held interest rates at 3.75%, with the Monetary Policy Committee voting 7-2, with two members voting for a rate increase. Some members highlighted that a sustained ceasefire in the Middle East could reduce energy prices and ease inflationary pressures.

Global equity markets were supported by the extension of the Middle East ceasefire. In the US, the Federal Reserve, under its new chair Kevin Warsh, maintained interest rates at a target range of 3.50-3.75%. In Europe, the European Central Bank (ECB) raised its key interest rate by 25 basis points to 2.25%. ECB President Christine Lagarde noted that the conflict in the Middle East had created a more prolonged energy shock than initially anticipated.

Geopolitical risks remained elevated throughout the period. Alongside developments in the Middle East, the conflict in Ukraine continued. In commodity markets, oil prices fell sharply as expectations grew that shipping through the Strait of Hormuz would gradually return to normal.

## Performance and activity

The EdenTree Sustainable UK Equity Opportunities Fund outperformed both its benchmark, the FTSE All-Share Index, and the IA UK All Companies sector.

At a sector level, the Fund's overweight exposure to investment banking and brokerage services and retailers contributed positively to relative performance, as did its lack of exposure to the energy sector. Within financials, however, the Fund's zero weighting to banks detracted from returns. The Fund's overweight exposure to software and computer services also weighed on relative performance.

The Fund's strongest contributors included overweight positions in Tatton Asset Management, Applied Nutrition and AJ Bell. Tatton Asset Management benefitted from a strong set of full-year results, supported by robust inflows, earnings growth and a larger-than-expected dividend increase. The sports and active nutrition brand Applied Nutrition performed well after issuing a positive trading update, which indicated full-year revenues would exceed consensus expectations. AJ Bell, one of the UK's largest investment platforms, outperformed following strong half-year results, which led to earnings upgrades.

Stock-specific detractors included Telecom Plus, Prudential and Sage. The share price of Telecom Plus, a multi-service provider of essential services, declined after announcing a significant investment programme that is expected to weigh on near-term profitability. Prudential, a provider of life and health insurance and asset management across Asia and Africa, underperformed amid concerns that regulatory changes in China could affect cross-border flows into Hong Kong. Sage weakened as investors assessed the potential implications of artificial intelligence (AI) for its business model.

During the quarter, we initiated a position in consultancy firm Elixirr. We added to Keystone Law, Wilmington and Mortgage Advice Bureau. We reduced our positions in On the Beach, SSP, Games Workshop, GlobalData, Advanced Medical Solutions and Tatton Asset Management.

## Outlook

The impact of the Middle East conflict on the global economy remains uncertain. Much will depend on whether the memorandum of understanding, which extends the ceasefire between the US and Iran, leads to a final agreement. The pace at which shipping volumes through the Strait of Hormuz recover, alongside the response of major oil-producing nations, will be key in determining whether the recent energy price shock proves temporary or becomes a more persistent headwind for growth and inflation.

Markets will closely scrutinise comments from Federal Reserve Chair Kevin Warsh for further clues on the path of US interest rates. Meanwhile, a temporary US-China trade truce has eased immediate concerns, although relations remain fragile, and any fallout could have global consequences.

In the UK, Andy Burnham is widely expected to become the next prime minister. The economic outlook is uncertain and will depend in part on both fiscal policy and the composition of the next government. However, developments in the Middle East are also likely to influence the UK's economic trajectory, particularly through their impact on energy prices and inflation.

In Europe, the conflict in Ukraine continues to weigh on growth prospects, a challenge compounded by instability in the Middle East. Increased fiscal stimulus in Germany could, however, provide some offset.

Beyond these near-term geopolitical and policy risks, continued investment in AI has the potential to support productivity and, ultimately, medium term economic growth. However, the impact of AI is unlikely to be evenly distributed, with company level winners and losers set to emerge over time.

Against this backdrop, we remain focused on identifying businesses that meet our strict criteria of strong earnings growth, high margins and strong cash flows.

| **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) | -24.2% | 7.4% | 12.5% | 9.1% | 0.7% |
| 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 | 2 | 3 | 3 | 4 |

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

**Past performance is not necessarily a guide to future returns.**

**This document has been prepared by EdenTree Investment Management Limited for Financial Advisors, other intermediaries and other investment professionals only.** It is not suitable for private individuals. This document has been produced for information purposes only and as such the views contained herein are not to be taken as advice or recommendation to buy or sell any investment or interest thereto.

Please note that the value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations, you may not get back the amount originally invested. Past performance is not necessarily a guide to future returns. A full explanation of the characteristics of the investments is given in the Key Investor Information Document (KIID). Any forecast, figures, opinions, statements of financial market trends or investment techniques and strategies expressed are, unless otherwise stated, EdenTree Investment Management's own at the date of this document. They are considered to be reliable at the time of writing, may not necessarily be all-inclusive and are not guaranteed as to accuracy. There is no guarantee that any forecast made will come to pass.

## For further information please speak to your EdenTree representatives.
## Or call our support team on 0800 011 3821

Monday to Friday 9am to 5pm. We may monitor or record calls to improve our service.

## Or visit us at
## www.edentreeim.com

Proudly part of the BENEFACT GROUP

edentree

EdenTree Investment Management Limited (EdenTree) Reg. No. 2519319. Registered in England at Benefact House, 2000, Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW, United Kingdom.

EdenTree is authorised and regulated by the Financial Conduct Authority and is a member of the Investment Association.

Firm Reference Number 527473.