Q4 2025 Commentary

EdenTree Managed Income Fund

Performance	3 months	6 months	1 year	3 years	5 years	10 years
Fund (B Class)	4.5%	4.8%	16.9%	30.5%	42.0%	84.1%
FTSE All-Share TR GBP*	6.4%	13.7%	24.0%	46.5%	73.9%	123.4%
IA Mixed Investment 40-85% Shares	3.3%	8.8%	11.6%	31.4%	31.2%	87.9%
Sector Quartile	1	4	1	3	2	3

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested. Data as at 31.12.2025

Market review

In the final three months of 2025, market performance was strong across the board, with most equity, bond and commodity indices generating positive returns. This rounded off a very strong year overall in which European equities were stand-out performers: Spanish equities generated a total return of 64% in sterling terms over the year, while the FTSE 100 rose 26%, its best performance since its rebound from the financial crisis.

Key to the positive global market performance was the continued easing of US interest rates and a softer inflationary backdrop, albeit this was amid a lack of inflation data following the US government shutdown during the quarter. Similarly in the UK, inflation showed further signs of easing, allowing the Bank of England (BoE) to resume interest rate cuts.

The great debate around artificial intelligence (AI) and equity valuations was more nuanced over the quarter but continued to drive overall market performance, with perceived winners and losers becoming more apparent. Alphabet was the single largest contributor to equity returns globally (+29% in sterling terms) as the market reassessed the company's AI-related capabilities, from its home-grown AI semiconductors to its (currently) top-performing Gemini large language model. In contrast, Oracle fell 31% as investors reassessed its reliance on OpenAI for the huge upgrade to its guidance earlier in the year. Furthermore, the growing realisation that memory chips will be one of the key bottlenecks for the expansion in AI infrastructure led to big moves up for manufacturers such as Korea's SK Hynix (+83%).

Performance and activity

For the portfolio, this proved to be a beneficial backdrop. The EdenTree Managed Income Fund performed positively over the quarter, although it underperformed its benchmark the FTSE All Share. However, the Fund's performance was well ahead of similar funds in its sector. For the year, the Fund also performed strongly and was well ahead of its peer group average, ranking 14th out of 217 funds in its sector.

Our holdings in the utilities sector, such as SSE and Italy's Enel, contributed positively to the Fund's performance over the quarter, as the required growth in grid infrastructure investment, driven by the increased demand for data centres to support AI technologies, became increasingly apparent. Our bank holdings, such as Lloyds, also contributed positively to returns, as they did throughout the year as inflation subsided and the BoE cut interest rates.

In contrast, the Fund's detractors were more stock specific: the share price of Bunzl, the UK distribution company, slipped as there was only a modest recovery in its troubled US business, while student accommodation provider Unite Group disappointed the market with some weak guidance for 2026. RELX was also weak, amid ongoing speculation around the impact of AI on its business.

We did not change much within the portfolio over the quarter. Our view was that we were well placed for a steady decline in inflation and interest rates. The main changes were to the fixed income basket, which represents approximately 25% of the portfolio, where we shifted some of the exposure to gilts into higher yielding corporates and evened out the Fund's duration profile in the process.

Outlook

We start 2026 with a familiar set of concerns. Ongoing and renewed geopolitical conflict will remain a source of great uncertainty, though clearly some outcomes could be positive, such as a negotiated peace in Ukraine.

The other familiar refrain is the disparity in valuations between the US equity market and most other global markets. The US market ended 2025 with valuations both relatively and absolutely at long-term highs, while Europe and the UK remain very much the opposite. One might make a case for German infrastructure spending beginning to have an impact on European businesses this year, while industrial activity starts to pick up after a difficult few years, but these remain hopes rather than certainties. Likewise, in the UK, the economy remains at a low ebb, but there is some hope for recovery in undervalued UK domestic stocks, although this is possible rather than probable.

Our remit remains to generate a resilient yield, with the potential for long-term 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 31/12/2021	12 months to 31/12/2022	12 months to 31/12/2023	12 months to 31/12/2024	12 months to 31/12/2025
Fund (B Class)	16.9%	-7.0%	7.6%	3.8%	16.9%
FTSE All-Share TR GBP*	18.3%	0.3%	7.9%	9.5%	24.0%
IA Mixed Investment 40-85% Shares	11.1%	-10.1%	8.1%	8.9%	11.6%
Sector Quartile	1	1	3	4	1

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.

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.

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