

EdenTree UK Equity Opportunities Fund

Q1 2025 Commentary



PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Fund (B Class)	-2.8%	0.7%	2.8%	3.9%	46.0%	52.8%
FTSE All Share TR GBP*	4.5%	4.1%	10.5%	23.3%	76.5%	81.7%
IA UK All Companies	0.1%	-1.1%	5.0%	10.8%	60.7%	58.2%
Sector Quartile	3	2	3	3	3	3

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested.
Data as at 31.12.2024

MARKET REVIEW

The FTSE All-Share Index rose in sterling terms over the quarter, driven by the positive performance of the large-cap FTSE 100 Index. However, small and mid-cap companies fell during the period.

In the UK, the Labour Party had a tough start to the year, as the Office for Budget Responsibility reduced its economic growth forecast for the UK in 2025. The Bank of England (BoE) cut interest rates during the period by 25 basis points (bps) in February, taking the base rate to 4.5%. The BoE then held rates at its March meeting, citing inflationary pressure and economic uncertainty as reasons for caution.

The US stock market performed poorly in the quarter, as investors were concerned that President Donald Trump's trade tariffs would lead to slower economic growth and higher inflation. The Federal Reserve (Fed) voted to hold interest rates at 4.25%-4.50% during its latest meeting, with Jerome Powell, Chair of the Fed, acknowledging that tariff plans had affected the Fed's economic outlook, with slower growth and higher inflation forecast.

In Europe, the European Central Bank (ECB) cut interest rates to 2.5%. However, ECB President Christine Lagarde indicated there could be a slowdown or pause in future interest rate cuts. The conflict in Ukraine continued, although the US administration appeared keen to push for a ceasefire.

Elsewhere, Israel's military campaign in Gaza restarted after an end to the ceasefire, although a fragile ceasefire in Lebanon held. In commodity markets, the oil price was volatile; it was impacted by various factors, including fears of a global trade war, which negatively affected demand.

PERFORMANCE & ACTIVITY

The EdenTree UK Equity Opportunities Fund underperformed during the quarter. In terms of sector exposures, our underweight position to banks and our lack of holding in aerospace and defence detracted from the fund's performance. Conversely, our overweight to the life insurance and medical equipment sectors alongside our lack of holding in the industrial metals and mining sector contributed positively to the fund's performance.

Our holdings in data analytics company GlobalData, marketing company 4Imprint Group and financial technology company Wise detracted from the fund's performance during the period. The fund's performance was aided by our overweight positions in UK retail company Next, insurance company Prudential and healthcare company ConvaTec.

GlobalData's share price struggled in March after it released its full-year results to 31 December 2024. The company's operating profit declined by 12% due to acquisition expenses and restructuring costs. GlobalData also announced it would

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cut its dividend to focus capital on mergers and acquisitions.

4Imprint's share price declined after its chairman expressed concerns that US import tariffs could affect demand for the company's business in 2025.

Wise's share price fell over the quarter as investors adopted a risk-off approach in response to broader market uncertainty and macroeconomic concerns.

Next's share price rose sharply at the end of the period due to the release of positive full-year results to end-January 2025. The company's total group sales were up 8.2% compared to the prior year, with its profit before tax up by 10.1%. Next also upgraded its outlook, raising its full price sales estimates for the full year by 5.0%.

Insurance company Prudential also performed well, rising alongside other insurance names during the quarter due to expectations of higher-for-longer interest rates.

Finally, ConvaTec also released strong results and affirmed its full-year 2025 outlook.

In terms of activity, we opened a position in Howdens Joinery, a UK specialist kitchen supplier that only sells to trade customers. We also increased our holdings in Keystone Law and Applied Nutrition. We took profits in On the Beach, St James's Place and Marlowe.

OUTLOOK

US import tariffs could lead to a global trade war, slower economic growth and higher inflation. However, the extent of the negative effects of these tariffs will depend on the retaliation among the US' trade partners. US-China relations are likely to deteriorate as trade tensions increase, which may have global consequences.

In the UK, the economic picture is looking fairly challenged. Consumers are facing cost increases in a variety of areas, including their energy bills; the increase in national insurance contributions could have negative implications for consumer spending, as businesses may raise prices and reduce employee pay; and the tax burden for the UK taxpayer remains high. Further tax increases cannot be ruled out in the Autumn Budget, which could impede future economic activity.

In Europe, the prolonged conflict in Ukraine will likely continue to have adverse economic impacts, although much will depend on whether the US can broker a ceasefire.

The Trump administration undertook missile strikes against the Houthi rebels in response to increased attacks on commercial vessels in the Red Sea. Depending on how the situation develops, there could be further negative effects on global trade via increased supply chain disruption.

In commodity markets, the trajectory of the oil price will depend on the strength of global demand and whether OPEC+ members follow through with production increases. The Chinese authorities pledged to boost consumption and increase demand, but more detail is awaited on these measures.

While some political and economic risks lie ahead, we remain focused on finding new opportunities in companies that meet our strict criteria of strong earnings growth, high margins and strong cash flows.

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PERFORMANCE DISCRETE	12 Months to	12 Months to	12 Months to	12 Months to	12 Months to
	31/03/2021	31/03/2022	31/03/2023	31/03/2024	31/03/2025
Fund (B Class)	44.8%	-3.0%	-8.5%	10.5%	2.8%
FTSE All Share TR GBP*	26.7%	13.0%	2.9%	8.4%	10.5%
IA UK All Companies	37.8%	5.3%	-2.0%	7.6%	5.0%
Sector Quartile	1	4	4	1	3

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

Past performance is not necessarily a guide to future returns.

*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.

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