

EdenTree Sustainable UK Equity Fund

Performance	3 months	6 months	1 year	3 years	5 years	10 years
Fund Performance (B Class)	-3.3%	0.1%	8.0%	12.0%	1.0%	32.6%
FTSE All-Share TR GBP*	2.4%	8.9%	21.5%	45.6%	69.3%	129.8%
IA UK All Companies	-2.0%	1.8%	12.7%	27.4%	31.5%	82.8%
Sector Quartile	3	3	3	3	4	4

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. As a result of this mix, UK equities were actually one of the strongest markets over the quarter, even if the UK economy is relatively exposed to higher energy costs.

Performance and activity

The EdenTree Sustainable UK Equity Fund underperformed its benchmark, the FTSE All Share, over the quarter. A key reason for this relative underperformance was the strong performance of oil, mining and defence stocks, which are excluded from our investable universe under our sustainable screening assessment, the EdenTree Standard.

In terms of further detractors, the Fund's performance was affected by our exposure to software and data businesses, which were caught up in the market debate around the potential impact of AI. This affected holdings such as RELX and Sage, where investor sentiment proved more cautious despite the long-term structural strengths of these businesses. While the majority of the Fund's holdings are global in their operations, a number of more domestically focused companies also detracted from performance. This included retailer Dunelm and Shawbrook Group, the specialist bank, both of which were adversely affected by the softer UK economic backdrop and more cautious consumer and business sentiment.

There were, however, several positive contributors at the sector and stock level. Holdings within the utilities sector continued to perform strongly, notably National Grid and SSE. Both are benefitting from the ongoing requirement to build out electricity transmission infrastructure, as the demand for electrification accelerates. Elsewhere, a number of holdings also delivered strong performance for more company-specific reasons. These included Diploma, a distributor of industrial products; Oxford Instruments, a manufacturer of advanced scientific instrumentation; and Keller Group, a provider of ground engineering services. All three reported strong results during the quarter.

During the period, the Fund initiated a new position in Experian, the credit scoring agency. Experian's shares had fallen sharply following concerns about the potential impact of AI on its business model. In our view, this market reaction seems excessive, given the company's proprietary datasets and its extensive use of AI in its business. At the time of purchase, the shares were trading at their lowest valuation for over a decade, despite reaffirmed strong growth prospects and an ongoing share buyback programme equivalent to around 3% of its market capitalisation.

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.

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 in light of this heightened level of uncertainty. 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 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 Performance (B Class)			-3.6%	-6.5%	4.0%	-0.3%	8.0%
FTSE All-Share TR GBP*			13.0%	2.9%	8.4%	10.5%	21.5%
IA UK All Companies			5.3%	-2.0%	7.6%	5.0%	12.7%
Sector Quartile			4	3	4	4	3

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 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.

© EdenTree 2026. All data as at 31.03.2026