Q4 2025 Commentary

EdenTree Green Future Fund

Performance	3 months	6 months	1 year	3 years	ITD*
Fund Performance (B Class)	0.9%	7.2%	9.0%	29.6%	25.8%
MSCI ACWI Net TR GBP**	3.4%	13.3%	13.9%	59.6%	57.6%
IA Global	2.8%	10.2%	10.9%	41.0%	35.7%
Sector Quartile	3	3	3	3	3

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested. Data as at 31.12.2025
*Inception date: 24.01.2022

Market review

Equity markets extended their rally in the final quarter of the year, despite ongoing political uncertainty and heightened geopolitical tensions. In the US, the longest government shutdown on record disrupted the release of official economic data, while private data indicators pointed to labour market weakness and mounting pressure on consumers from rising living costs. The Federal Reserve (Fed) cut its benchmark interest rate by 25 bps in both October and December, bringing the target range to 3.50%-3.75%.

UK and European markets performed well over the quarter. In December, the Bank of England (BoE) cut its benchmark interest rate by 25 basis points (bps) to 3.75%, while the European Central Bank left its benchmark policy rate unchanged at 2.00% as expected, with upward revisions to inflation contributing to a more hawkish outlook.

Performance and activity

The EdenTree Green Future Fund delivered a positive return over the quarter but underperformed both the MSCI ACWI Net TR Index and the IA Global sector. The Fund's underweight positions in healthcare and financials detracted, as did its limited exposure to the materials sector, which benefitted from rising commodity prices, particularly metals. Despite the importance of rare earth metals to future technologies, few materials companies meet our stringent sustainability assessment. Some of the Fund's overweight sector positions also proved challenging. Areas viewed as bond proxies, such as utilities and construction, remained sensitive to interest rates, which are still elevated despite recent cuts.

Of the Fund's seven themes, Water and Circular Economy were the weakest performers, after a strong year performance prompted profit-taking. Environmental Services also came under pressure, with many companies in this area hit by the US government shutdown. Stantec, a global engineering and environmental consulting firm, was the Fund's largest detractor, though we believe the impact of the shutdown will be temporary. Our Natural Capital holdings also underperformed. Sustainable forestry company Rayonier's results disappointed, as structural pressures on US residential housing pushed lumber prices lower. In addition, investors failed to welcome news of an all-stock merger between Rayonier and peer PotlatchDeltic.

There were encouraging signs elsewhere. The Alternative Energy theme contributed positively, with holdings like SSE, Enel and Iberdrola all rallying after posting strong third quarter results. Sentiment is improving for energy producers, reflecting the growing electrification of the global economy and the importance of energy to the AI supply chain. Energy Efficiency companies also benefitted from increased investment in AI and data centres, with several portfolio names, such as Applied Materials and Analog Devices, upgrading earnings guidance in the fourth quarter. Alfa Laval, the Swedish engineering company, also contributed positively. While its third quarter results were relatively unremarkable, the company attracted investor interest due to its growing relevance in supplying key components for datacentres, power stations and decentralised grids. Finally, our Sustainable Transport (previously named Future Mobility) holdings also performed well. Semiconductor manufacturer Infineon Technologies was a top contributor, as it reported two consecutive quarters of strong earnings and issued better-than-expected first-quarter guidance, driven by higher demand for its batteries.

Portfolio activity was limited in the quarter. However, we initiated a new position in Novonesis, a global leader in bio-solutions. As an established provider of industrial enzymes, microorganisms and other biopharmaceutical ingredients, with a global market share of over 40%, we see this as an expansive opportunity over the medium term.

Outlook

Although consumer confidence in the US and Europe appeared to dip in the fourth quarter, spending was strong, and we expect the consumer to remain resilient. The direction of interest rates will continue to shape market performance, and we anticipate a gradual downward shift in inflationary pressures, which should be supportive of further easing. However, any deviations in interest rate trajectories could spark renewed volatility.

Large-scale investment continues to flow into secular growth areas like data centres, semiconductor fabrication, energy generation, power security, grid hardening and infrastructure. Targeted fiscal support should add to this momentum, providing a positive backdrop for consumers and companies alike. However, with equity markets trading close to all-time highs, earnings growth will be essential for the bull market to continue.

Despite a softening of political climate-change rhetoric, efficiency remains a priority for companies, driving sustained demand for sustainable and environmental solutions. Meanwhile, the planet's finite natural resources face pressure from a growing global population and the shifting consumer preferences of a rising middle class. As a result, we continue to see strong growth for solutions providers.

The Fund remains diversified from a regional, sector and factor standpoint, as well as across our seven environmental themes. Our process continues to focus on cash generative companies with wide economic moats within their respective areas that can offer investors comparable risk-adjusted returns.

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 Performance (B Class)			10.5%	7.5%	9.0%
MSCI ACWI Net TR GBP**			17.2%	19.6%	13.9%
IA Global			12.7%	12.8%	10.8%
Sector Quartile			3	3	3

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested.
*Inception date: 24.01.2022
**The MSCI ACWI GBP Net Total Return Index was adopted as the Fund's comparative benchmark on 1 January 2024, replacing the FTSE World TR Index. As the Fund invests in a diverse range of global companies and sectors, we compare the Fund's performance to the MSCI ACWI GBP Net Total Return 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.

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