

EdenTree European Equity Fund

Performance	3 months	6 months	1 year	3 years	5 years	10 years
Fund (B Class)	5.9%	16.0%	17.0%	70.9%	91.7%	178.1%
MSCI Europe ex UK Net TR GBP*	4.8%	10.7%	13.9%	57.2%	67.3%	170.8%
IA Europe Excluding UK	3.0%	10.5%	11.8%	52.5%	56.8%	144.9%
Sector Quartile	1	1	2	1	1	1

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested. Data as at 30.09.2025

Market review

European markets rose during the third quarter, supported by a relief rally following the announcement of the EU and US trade agreement. In July, the two sides agreed to a 15% tariff on most EU exports to the US, which was significantly lower than the 25-30% rates previously threatened by President Trump. While the 15% rate still marks a notable increase from prior arrangements, its relative moderation helped ease investor concerns.

However, performance was varied across the region, with French market sentiment in particular being damaged by political instability. The French fiscal situation remains fragile at the start of the fourth quarter, with the resignation and subsequent re-appointment of French Prime Minister Sébastien Lecornu shortly after the end of the third quarter reflecting the ongoing challenges of delivering a workable and widely accepted national budget.

Meanwhile, Germany's positive fiscal momentum has, so far, failed to have a material impact on the nation's growth. Nonetheless, the economy is expected to pick up towards the end of the year, particularly as uncertainty surrounding Trump's trade war begins to fade.

Inflation remained stable over the period, and the European Central Bank (ECB) kept interest rates on hold, with its key deposit facility rate remaining at 2.00% over the quarter.

Performance and activity

The EdenTree European Equity Fund posted strong gains over the quarter, outperforming its benchmark and the IA Europe excluding UK sector.

This outperformance was primarily driven by strong stock selection. The Fund's overweight exposure to the financial sector, notably banks, continued to be a key contributor, with improved investor confidence and ongoing takeover speculation supporting the sector. German bank Commerzbank gained ground following Italian bank UniCredit's acquisition advances, although Commerzbank's CEO has now affirmed the takeover is unlikely. Banco Bilbao Vizcaya Argentaria also rallied after launching a takeover bid for Spanish rival Banco Sabadell. ABN Amro gained during the quarter on reports that the Dutch government may reduce its stake in the bank, which contributed to positive investor sentiment around the stock. Elsewhere within financials, Spanish multinational insurer Mapfre was among the portfolio's top contributors.

The portfolio's technology-related holdings performed well on the back of renewed optimism about the rollout of artificial intelligence (AI). Technotrans, a German-based provider of liquid cooling technologies and solutions, was the portfolio's top contributor, benefitting from news that it had secured multiple orders for its cooling systems for data centres, next-generation intercity trains and satellite ground stations. French materials company Mersen and German silicon wafer manufacturer Siltronic also advanced.

Several of the portfolio's industrial and cyclical holdings were among the key detractors to performance, as investors factored in an uncertain economic environment ahead. Swedish home appliance manufacturer Electrolux, Dutch recruitment agency Randstad and French real estate group Gecina all underperformed.

In terms of portfolio positioning, we took the opportunity to trim some profits from the Fund's outperforming financials exposure, moving to a smaller overweight position than has been held previously. However, we continue to see banks as an appealing investment proposition going forward. We used the proceeds to add to individual stock opportunities where we felt valuations remained attractive, such as software consultant Sopra Steria and advertising agency Publicis, which had been aggressively sold down amid concerns that the industry would be threatened by AI.

Outlook

While the impact of the new US tariff regime on the global economy remains uncertain, European markets are expected to maintain their current optimism. However, any clear tariff-related impacts are likely to influence market sentiment. Central bank activity may also influence markets during the fourth quarter, amid expectations that the US Federal Reserve could ease monetary policy again before the end of the year. The ECB may also surprise with a further cut, although we believe this is less likely.

As a result of so much uncertainty, our portfolio positioning remains cautious. Valuation levels for European equities, particularly within the value space, remain attractive, and we currently hold an overweight exposure to domestically orientated companies, which we believe will be more shielded from any tariff-related volatility. Anticipating a slight downturn in economic fortunes towards the end of the year, we are underweight consumer staples, but we have raised the Fund's healthcare exposure back to neutral as we feel most of the concerns surrounding the new US administration's health policies have now been priced in. With many markets at or near record levels, any indiscriminate market declines could create attractive buying opportunities among cyclical stocks.

Performance Discrete Rolling 12 months	12 months to 30/09/2021	12 months to 30/09/2022	12 months to 30/09/2023	12 months to 30/09/2024	12 months to 30/09/2025
Fund (B Class)	28.0%	-12.4%	26.9%	15.2%	17.0%
MSCI Europe ex UK Net TR GBP *	22.0%	-12.8%	20.5%	14.5%	13.9%
IA Europe Excluding UK	22.4%	-16.0%	19.0%	14.6%	11.8%
Sector Quartile	1	1	1	2	2

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

*The MSCI Europe ex UK GBP Net Total Return Index was adopted as the Fund's comparative benchmark on 1 January 2024, replacing the FTSE World Europe ex UK Index. As the Fund invests in a diverse range of European (ex UK) companies and sectors, we compare the Fund's performance to the MSCI Europe ex UK 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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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.

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0800 011 3821

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