

EdenTree Multi-Asset Balanced

Q2 2025 Commentary



PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	ITD*
Fund (B Class)	5.0%	5.8%	6.4%	18.0%	4.50%
IA Mixed Investment 40-85% Shares**	3.9%	2.6%	5.5%	21.8%	13.0%
Sector Quartile	1	1	2	4	4

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested.
Data as at 30.06.2025

MARKET REVIEW

The second quarter of 2025 began on a negative note, with US President Trump's higher-than-expected 'Liberation Day' tariffs sparking a worldwide sell-off. However, Trump's subsequent pause gave rise to hopes that tariffs were a negotiating stance rather than a red line, triggering a strong recovery that saw global markets recover their losses. This recovery was aided by economic, consumer and corporate resilience. Meanwhile, European markets received an additional boost from strong fiscal support, which will boost municipal spending, stimulate infrastructure projects and support expenditure on defence, most notably in Germany. Elsewhere, markets largely disregarded the escalation of tensions in the Middle East, when war broke out between Israel and Iran.

The MSCI World Index climbed by 5.0% in sterling terms. In the US, the S&P 500 Index and the NASDAQ Composite added 4.4% and 11.0%, respectively, in sterling terms. In the UK, the FTSE All-Share rose 4.4% in sterling terms, with small- and mid-cap companies outperforming large-caps. Meanwhile, in Europe, the FTSE World Europe Index ex UK rose 6.1% in sterling terms. Japan's Topix gained 5.1% in sterling terms and the MSCI Emerging Market Index climbed 5.6% in sterling terms. In addition, 'growth' outperformed 'value' during the quarter.

On the macroeconomic front, the US Federal Reserve (Fed) kept its monetary policy on hold despite growing pressure from the US administration to cut interest rates. Chairman Powell commented the Fed was waiting to assess the inflationary impact of the president's trade policies before implementing any further policy easing. The European Central Bank (ECB) cut its key interest rate by 25 basis points (bps) in both April and June to help bolster the region's flagging economy. The Bank of England also cut interest rates in May but kept its policy on hold in June.

In fixed income markets, global yield curves steepened over the quarter, with shorter-dated and intermediate maturity bonds rallying while longer-dated yields rose further as fiscal concerns gained prominence. This theme was particularly prominent in the US, with President Trump's Big Beautiful Bill progressing through both Congress and the Senate. Over the period, 10-year US government bond yields remained flat at 4.2%. In Europe, the German 10-year government bond yield declined from 2.7% to 2.6% over the quarter.

PERFORMANCE & ACTIVITY

The EdenTree Multi-Asset Balanced Fund outperformed the IA Mixed Investments 40-85% sector over the period.

In terms of the EdenTree Multi-Asset Balanced Fund's overall performance, the portfolio's exposure to UK equities through its holdings in the EdenTree UK Equity Fund and the EdenTree UK Equity Opportunities Fund contributed strongly over the quarter, with smaller companies outperforming large caps in part due to their higher domestic exposure, meaning they would be less affected by trade tariffs. European equities also contributed positively, through our holding in EdenTree's European

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Equity Fund, which benefited from an overweight exposure to the financial sector. Banks extended this year's outperformance due to improved investor confidence, with companies in the sector also supported by takeover speculation.

The Fund's fixed income holdings also contributed positively to performance. The portfolio's exposure to higher interest rate sensitivity, via its position in the EdenTree Sterling Bond Fund, aided performance, as yields declined across shorter to intermediate maturity bonds. Credit selection was the main contributor to performance here, as credit spreads retraced most of the widening registered in the previous quarter. This was most apparent in the financial sector, where the EdenTree Sterling Bond Fund is overweight compared to its benchmark.

After a weak first quarter, the infrastructure space experienced a strong recovery in the second quarter, with the asset class's big discounts to NAV attracting lots of corporate action, which is supportive for valuations. The portfolio's infrastructure exposure is held via the EdenTree Green Infrastructure Fund. The contribution of the EdenTree Multi-Asset Balanced Fund's real estate exposure, which is held through a mix of UK and overseas real estate investment trusts (REITs), was positive over the period, as the sector benefited from a lower interest rate environment.

OUTLOOK

Outlooks always contain an element of uncertainty, but this is particularly pertinent at present, as companies' first quarter earnings guidance generally omitted the potential impact of new US tariffs (in fact, both the level of most tariffs and whether they will be imposed at all remains uncertain), which could see second quarter figures come in weaker-than-expected and lead to market disappointment. The economic environment in the second half may also not be as resilient as it has been in the first half, meaning a fundamental factor behind the second quarter's V-shaped recovery may not offer the same level of support going forward.

Tactical Asset Allocation***

From an asset allocation perspective, in light of this opaque economic and corporate outlook, we have shifted to a more defensive positioning. This has involved reducing our equity exposure in favour of an increase in fixed income and a higher cash position. Our equity exposure remains tilted away from the US, where we see companies being most harmed by Trump's economic policies, and we continue to focus on more value-orientated areas of the economy, as we still see value as being the most attractive area of the market right now.

We continue to view infrastructure positively and retain the Fund's exposure to these assets, but we have been gradually reducing our real estate exposure.

PERFORMANCE DISCRETE ROLLING 12 MONTHS	12 Months to	12 Months to	12 Months to	12 Months to	12 Months to
	30/06/2021	30/06/2022	30/06/2023	30/06/2024	30/06/2025
Fund (B Class)			2.1%	8.5%	6.4%
IA Mixed Investment 40-85% Shares**			3.3%	11.8%	5.5%
Sector Quartile			3	4	2

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

Past performance is not necessarily a guide to future returns.

*Inception Date: 01.07.2021

**As the Fund invests in a range of assets, investors may compare the Fund's performance to the Investment Association Mixed Investment Sector 40-85% shares. Funds in this sector must have between 40% to 85% invested in company shares. However, the Manager is not bound or influenced by the Sector category when making investment decisions

*** Our tactical asset allocation decisions are informed by the quarterly meeting of EdenTree's Tactical Asset Allocation Committee, which analyses prevailing macroeconomic conditions, discusses positioning within each of the sub-funds and determines the appropriate factor exposures for the multi-asset portfolios.

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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.

For further information please speak to your normal EdenTree representative, visit www.edentreeim.com or call our support team on **0800 011 3821**

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