

EdenTree UK Equity Fund

Q2 2025 Commentary



PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Fund (B Class)	10.5%	9.6%	10.1%	19.7%	20.2%	33.7%
FTSE All Share TR GBP*	4.4%	9.1%	11.2%	35.5%	67.3%	92.7%
IA UK All Companies	7.4%	7.5%	8.6%	29.8%	51.1%	69.2%
Sector Quartile	1	2	2	4	4	4

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

MARKET REVIEW

UK equities rose in the second quarter of 2025; they fell initially but then recovered sharply. This performance matched other markets around the world and was a consequence of the pivots in US trade policy, with the announcement of 'Liberation Day' tariffs and their subsequent reversal.

There were some sectoral trends within this. Pharmaceuticals performed badly, amid noise from the US president about sector-specific tariffs. Defence stocks continued their remarkable rally amid the ongoing spending pledges for the rearmament of Europe. Banks were also strong performers, continuing a rally over the past 12-18 months led by a steepening in yield curves that helps their profitability.

While the European Central Bank cut interest rates by a cumulative 50 basis points (bps) over the quarter, the Bank of England limited itself to a single 25 bps cut, as inflation, particularly in services, remained too high for comfort, even with a stagnant economy.

PERFORMANCE & ACTIVITY

The EdenTree UK Equity Fund performed well over the quarter, beating both its benchmark, the FTSE All Share, and the IA UK All Companies sector.

Top contributors to the Fund's performance included industrial holding Spectris, which received a bid from a private equity investor followed by a counterbid by another private equity firm, prompting an approximately 70% rise in the stock. Other industrial holdings, such as Halma and Diploma, also contributed positively. Our utility exposure also performed well, given a slight easing in the interest rate environment, with SSE and Greencoat UK Wind both rising by double digits.

The most notable detractor from performance was distribution company Bunzl, which issued a profit warning a few weeks after it reiterated its guidance, following management problems at its US business. Our lack of exposure to the defence sector due to our sustainable screening process also detracted from relative performance.

Fund activity was limited over the quarter. We took some profits in Spectris after the bid activity. We added a new position in Coats Group, after meeting with the company's management. Coats Group is the world's largest supplier of speciality yarns and components to the footwear and apparel sector. After the sale of an underperforming US business and the de-risking of its company pension scheme, the company now has a strong balance sheet and a clear growth plan, while trading at a modest valuation.

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OUTLOOK

We would reiterate previous comments that UK equities are attractively valued both relative to their own history and to other markets. This is not without reason, certainly relative to the US where earnings growth is consistently higher. But even so, the UK is historically cheap at a time where asset allocators are increasingly diversifying away from US assets given the extreme policy uncertainty there. Clearly there will be unintended consequences of the US administration's incoherent trade policy. Disrupting supply chains and adding import taxes to goods will take time to work through the system with unpredictable results.

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. 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, whereby responsible and sustainable factors are integrated into the investment management process, with our fund managers and responsible investment team working side by side.

PERFORMANCE DISCRETE ROLLING 12 MONTHS

	12 Months to 30/06/2021	12 Months to 30/06/2022	12 Months to 30/06/2023	12 Months to 30/06/2024	12 Months to 30/06/2025
Fund (B Class)	21.7%	-17.5%	5.9%	2.6%	10.1%
FTSE All Share TR GBP*	21.5%	1.6%	7.9%	13.0%	11.2%
IA UK All Companies	27.4%	-8.6%	6.1%	12.7%	8.6%
Sector Quartile	3	4	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.

*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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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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