

EdenTree Sustainable European Equity Fund

Performance	3 months	6 months	1 year	3 years	5 years	10 years
Fund Performance (B Class)	1.3%	15.1%	17.6%	58.4%	76.1%	176.5%
MSCI Europe ex UK Net TR GBP*	-2.7%	9.2%	13.2%	47.7%	55.2%	153.1%
IA Europe Excluding UK	-1.6%	10.8%	12.2%	43.8%	43.6%	130.5%
Sector Quartile	1	1	1	1	1	1

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested. Data as at 30.09.2026

*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.

Market review

European equity markets faced a challenging backdrop during the third quarter. The ongoing conflict in the Middle East, and the partial closure of the Strait of Hormuz, pushed energy prices higher and raised investor concerns about the inflationary impact of elevated commodity costs, with oil prices reaching well over \$100 a barrel in the period.

Against this backdrop, the European Central Bank (ECB) raised interest rates by 25 basis points (bps) to 2.50% and signalled that inflation risks remained skewed to the upside, particularly given higher energy prices and resilient wage growth. The ECB also revised up its growth and inflation projections for 2027 and 2028. Government bond yields moved sharply higher across Europe as investors adjusted their expectations for the future path of monetary policy. France was particularly affected, with sovereign bond yields rising and credit spreads widening amid concerns over the country's fiscal position and continued political uncertainty ahead of next year's presidential election.

More broadly, higher borrowing costs and tighter financial conditions created a more challenging environment for interest-rate-sensitive sectors such as real estate.

Performance and activity

The EdenTree Sustainable European Equity Fund outperformed its benchmark and the IA Europe Excluding UK sector over the quarter.

The Fund's overweight exposure to the healthcare sector contributed positively to its performance during the period. The sector recovered from a period of underperformance earlier in the year, and we continue to view valuations across the sector as attractive, despite ongoing headwinds from tariffs and increased competition. Due to our sustainability assessment, the EdenTree Standard, we did not have exposure to the energy sector, which performed well due to higher oil prices, which proved a headwind to the Fund's performance. Our overweight exposure to real estate was also a headwind, as rising bond yields weighed on property valuations across Europe.

At the stock level, recruitment specialist Randstad, information and analytics provider Wolters Kluwer and digital transformation consultancy Sopra Steria were among the strongest contributors. These businesses had previously come under pressure due to investors assessing the potential impact of artificial intelligence on their business models. However, sentiment improved during the quarter as concerns over disruption eased and the underlying fundamentals of these companies remained resilient. Healthcare holdings also performed strongly, with molecular diagnostics specialist Qiagen and medical technology company Carl Zeiss Meditec contributing positively. Finally, our stock selection within the industrials sector contributed positively to performance, particularly our exposure to industrial engineering company Indus Holding.

In terms of detractors, telecommunication equipment provider Nokia gave back some of the strong gains achieved earlier in the year as enthusiasm around AI-related infrastructure spending moderated. Veolia Environnement, the utilities and environmental services group, and Orange, the telecommunications operator, were both negatively affected by rising bond yields. Orange also faced concerns over the long-term threat of increased competition from companies such as SpaceX.

During the quarter, we initiated a position in Siemens Healthineers and increased our holding in Philips, reflecting our positive view on long-term opportunities within the healthcare sector. We also added to real estate holdings Covivio and Gecina, where valuations have become increasingly compelling following recent market weakness. Elsewhere, we established a position in Universal Music Group after a period of share price weakness, reflecting our conviction in the company's strong competitive position and long-term growth prospects. We also increased our exposure to Havas. Funding for these purchases came partly from the sale of Sandoz, where strong share price performance had left the valuation less attractive, and a reduction in Randstad following its recovery.

Outlook

The outlook in Europe remains uncertain, with the duration and severity of the conflict in the Gulf difficult to predict and likely to remain a key influence on Europe's economic growth outlook. Persistently high commodity prices could maintain pressure on inflation and interest rates while weighing on consumer and business confidence.

Against this backdrop, we retain a relatively defensive positioning. However, periods of market volatility can also create attractive opportunities, particularly in areas of the market where valuations have become detached from long-term fundamentals. Recent additions to healthcare and real estate reflect our willingness to invest where we identify high-quality companies with attractive valuations and compelling long-term growth prospects.

While the near-term environment remains challenging, we remain focused on disciplined stock selection and identifying resilient businesses capable of delivering sustainable earnings growth across a range of economic conditions.

Performance Discrete Rolling 12 months	12 months to 30/09/2022	12 months to 30/09/2023	12 months to 30/09/2024	12 months to 30/09/2025	12 months to 30/09/2026
Fund Performance (B Class)	-12.4%	26.9%	15.2%	17.0%	17.6%
MSCI Europe ex UK Net TR GBP *	-12.8%	20.5%	14.5%	13.9%	13.2%
IA Europe Excluding UK	-16.0%	19.0%	14.6%	11.8%	12.2%
Sector Quartile	2	1	2	2	1

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

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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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