

# EdenTree Sustainable UK Equity Opportunities Fund

| Performance                | 3 months | 6 months | 1 year | 3 years | 5 years | 10 years |
|----------------------------|----------|----------|--------|---------|---------|----------|
| Fund Performance (B Class) | 0.7%     | 13.1%    | 0.3%   | 24.6%   | -2.9%   | 64.3%    |
| FTSE All-Share TR GBP*     | 2.4%     | 7.2%     | 16.8%  | 53.9%   | 68.2%   | 118.4%   |
| IA UK All Companies        | 3.2%     | 10.6%    | 12.6%  | 40.8%   | 34.1%   | 85.6%    |
| Sector Quartile            | 4        | 2        | 4      | 4       | 4       | 4        |

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

\*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.

## Market review

The FTSE All-Share Index delivered a positive return in sterling terms during the third quarter, supported by gains across UK indices. Small and mid-cap stocks outperformed, with both the FTSE Small Cap and FTSE 250 ahead of the large-cap FTSE 100.

In the UK, political developments dominated the domestic backdrop following the appointment of Andy Burnham as Prime Minister in July. Meanwhile, the Bank of England held interest rates unchanged at 3.75% in September, although three members of the Monetary Policy Committee voted in favour of a rate increase. Policymakers signalled that persistent energy-driven inflation could warrant an interest rate increase in November.

Globally, equity markets were resilient despite elevated geopolitical tensions. The breakdown of the ceasefire in the Middle East contributed to a sharp rise in oil prices, while the conflict in Ukraine continued to weigh on sentiment. Against this backdrop, the US Federal Reserve raised interest rates by 25 basis points (bps) to a target range of 3.75%-4.00%, while the European Central Bank increased its key policy rate by 25 basis points to 2.50%. ECB President Christine Lagarde noted that the conflict in the Middle East had created a more prolonged energy shock than initially anticipated.

## Performance and activity

The EdenTree Sustainable UK Equity Opportunities Fund underperformed both its benchmark, the FTSE All-Share Index, and the IA UK All Companies sector over the quarter.

At a sector level, the Fund's exposure to the healthcare sector, particularly its overweight to healthcare providers, contributed positively to relative performance, as did its underweight exposure to the consumer staples sector. However, the Fund's zero weighting to the energy sector detracted from returns. Within our financials exposure, an overweight allocation to investment banking and brokerage services also weighed on relative performance.

The strongest stock contributors included overweight positions in Keystone Law, Diaceutics and Kainos. Keystone Law benefitted from a strong set of half-year results, a special dividend and an upgrade to full-year revenue and profit guidance. The biopharma company Diaceutics performed well after reporting strong half-year results and the expansion of its partnership with Syndax Pharmaceuticals. Kainos, the IT provider and professional services firm, outperformed following a positive trading update, which led to earnings upgrades.

Among the detractors were Games Workshop, Tatton Asset Management and GB Group. The share price of Games Workshop, a manufacturer of fantasy miniatures, declined despite full-year results being ahead of guidance, as the dividend was below the previous year and US tariff costs were flagged. Tatton Asset Management was affected by broader macroeconomic headwinds, while GB Group, a global technology specialist in fraud, location and identity data intelligence, came under pressure after cutting full-year revenue guidance and issuing a profit warning.

During the quarter, we initiated a position in Cerillion, which provides mission-critical business support systems, such as software for billing, charging and customer relationship management, predominantly to the telecommunications sector. We view the company as a high-quality business with attractive margins and a healthy order book. Following recent share price weakness, we believed the valuation offered an attractive entry point. We also added to holdings in Calnex and Elixirr.

We reduced our position in Hollywood Bowl and exited GlobalData, selling the latter as its organic growth trends remained disappointing.

## Outlook

The impact of the conflict in the Middle East on the global economy remains uncertain. Much will depend on developments between the US and Iran following the breakdown of their ceasefire. While there are ships travelling through the Strait of Hormuz, the situation is precarious. Any developments will be key, alongside the response of major oil-producing nations, in determining whether the recent rise in energy prices proves temporary or develops into a more persistent headwind for growth and inflation.

Markets will continue to scrutinise comments from Federal Reserve Chair Kevin Warsh and any incoming economic data for further clues on the path of US interest rates. The US mid-term elections and the composition of Congress may also shape the direction of policy during the remainder of Trump's presidency. Meanwhile, an extended US-China trade truce has eased immediate concerns, although relations remain fragile and any deterioration could have wider implications for global growth.

In the UK, attention is turning to the government's October Budget. Prime Minister Andy Burnham has set out his policy priorities, but the new chancellor faces the challenge of balancing growth, fiscal discipline and public spending commitments against an uncertain backdrop. Developments in the Middle East will remain important, given their potential impact on energy prices and inflation.

In Europe, the conflict in Ukraine continues to weigh on growth prospects, while instability in the Middle East and several upcoming elections could contribute to further economic and political uncertainty.

Beyond these near-term risks, continued investment in artificial intelligence has the potential to support productivity and, ultimately, medium-term economic growth. However, the benefits are unlikely to be evenly distributed, with company-level winners and losers set to emerge over time.

Against this backdrop, we remain focused on identifying businesses that meet our strict criteria of strong earnings growth, high margins and strong cash flows.

| <b>Performance</b> Discrete Rolling 12 months | 12 months to<br>30/09/2022 | 12 months to<br>30/09/2023 | 12 months to<br>30/09/2024 | 12 months to<br>30/09/2025 | 12 months to<br>30/09/2026 |
|-----------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Fund Performance (B Class)                    | -31.4%                     | 13.6%                      | 12.2%                      | 10.7%                      | 0.3%                       |
| FTSE All-Share TR GBP*                        | -4.0%                      | 13.8%                      | 13.4%                      | 16.2%                      | 16.8%                      |
| IA UK All Companies                           | -15.4%                     | 12.6%                      | 14.2%                      | 9.5%                       | 12.6%                      |
| Sector Quartile                               | 4                          | 3                          | 3                          | 2                          | 4                          |

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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