

EdenTree European Equity Fund



Performance	3 months	6 months	1 year	3 years	5 years	10 years
Fund (B Class)	6.2%	12.5%	33.7%	56.1%	83.6%	179.2%
MSCI Europe ex UK Net TR GBP*	6.1%	11.2%	26.2%	48.8%	62.5%	170.8%
IA Europe Excluding UK	4.9%	8.1%	22.2%	42.2%	49.8%	140.5%
Sector Quartile	2	1	1	1	1	1

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested. Data as at 31.12.2025

Market review

European markets extended their strong performance in the fourth quarter, despite an economic landscape constrained by the introduction of US tariffs. Economic data softened, as higher trade costs began to take effect. The European Central Bank (ECB) kept monetary policy on hold at 2.00% as expected, supported by inflation dropping to its 2.00% target in December. While the ECB stressed that all options remain open for 2026, given the volatile international environment, market consensus is for no rate changes this year.

Investor sentiment remained broadly positive, driven by expectations that increased fiscal spending on infrastructure and defence – particularly in Germany – will contribute meaningfully to economic growth in the upcoming year. In contrast, political uncertainty continued to weigh on France's economy and equity markets. In October, French Prime Minister Sebastien Lecornu resigned following ongoing efforts to gain parliamentary approval for the 2026 budget, only to be reinstated four days later. Lecornu eventually managed to pass this budget in December, but only after implementing significant concessions.

Performance and activity

The EdenTree European Equity Fund posted strong gains over the quarter, outperforming its benchmark the MSCI Europe excluding UK Index and the IA Europe excluding UK sector. For the quarter and the year, the Fund's strong performance saw it achieve a top quartile ranking among its peers.

Outperformance was again driven by strong stock selection. The Fund's exposure to the financial sector, notably through banks and reinsurers, continued to be a key contributor, although we have steadily taken profits here, bringing our previously overweight position back towards neutral. After such a strong year, where financials posted robust earnings, it is expected that a weaker economic and interest rate environment could start to rein in growth. Among the top performers were Bank of Ireland Group, Banco Bilbao Vizcaya Argentaria, Commerzbank and Swiss Re. Some of the Fund's strategic underweight positions in capital goods, information technology and big-name pharmaceuticals – notably Novo Nordisk – also added value.

German industrial holding Indus was the portfolio's lead contributor over the quarter. It continued its 2025 buying spree at the end of the year by announcing the acquisition of Pro Video, a leading German provider of professional media technology and solutions. Finnish telco Nokia's reinvention continued to reap rewards on news of a \$1 billion strategic partnership with Nvidia to incorporate artificial intelligence into telecoms networks. Sandoz, a producer of generic and biosimilar medicines, bounced back on the back of stronger demand for its products.

Among the detractors, some of the portfolio's more defensive holdings came under pressure, including Telefonica, which announced a dividend cut. The infrastructure sector continued to underperform, weighed down by high energy prices and relatively high interest rates, factors which impeded our holding in Greencoat. The interest rate environment, alongside ongoing low demand for office space, also contributed to the underperformance of real estate stocks. French group Gecina was another detractor this quarter. However, we feel that the big discounts relative to NAV for both infrastructure and real estate stocks continue to highlight the attractiveness of their valuations.

In terms of portfolio positioning, as well as trimming our financials exposure, we also sold out of some of the Fund's industrials positions, including Schneider Electric and Siemens, which have benefitted from strong short-term demand, but we have become less convinced about their long-term potential. At the same time, we have strengthened the portfolio's defensive positioning based on our view that the economy could weaken in the first half of 2026 as the impact of tariffs starts to set in. We added to our positions in Greencoat, food producer Kerry Group and pharmaceutical Merck. In addition, we also raised the Fund's exposure to telecoms, adding Telefonica, KPN and Orange. Finally, we added a new position in the Belgian supermarket chain Colruyt, which was trading at an attractive valuation level.

Outlook

The economic trajectory is clouded by uncertainty amid slower global trade and geopolitical friction. Additionally, after a strong start last year, earnings noticeably weakened in the second half, and we expect this trend to continue this year. Even so, the economy and companies alike should gain some support from lower global bond yields.

Following a strong 2025 performance, European markets may feel the weight of these headwinds in the first half of 2026, and we feel some caution is warranted. We enter 2026 with a more defensive tilt to the portfolio, favouring sectors that offer resilience such as utilities, telecommunications and pharmaceuticals. Yet, we remain mindful that volatile markets can create opportunities and will continue to take advantage of any indiscriminate market declines to pick up cyclical stocks that we feel have the potential to offer compelling upside should a recovery take hold.

Performance Discrete Rolling 12 months	12 months to 31/12/2021	12 months to 31/12/2022	12 months to 31/12/2023	12 months to 31/12/2024	12 months to 31/12/2025
Fund (B Class)	17.5%	0.1%	15.0%	1.5%	33.7%
MSCI Europe ex UK Net TR GBP *	17.4%	-7.0%	15.7%	1.9%	26.2%
IA Europe Excluding UK	15.6%	-8.9%	14.3%	1.8%	22.2%
Sector Quartile	2	1	3	3	1

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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