Q2 2026 Commentary

EdenTree Green Impact Equity Fund

Performance	3 months	6 months	1 year	3 years	ITD*
Fund Performance (B Class)	15.8%	17.2%	25.7%	43.2%	47.5%
MSCI ACWI Net TR GBP**	14.2%	12.7%	27.7%	65.3%	77.6%
IA Global	13.0%	9.9%	21.1%	45.3%	49.0%
Sector Quartile	2	1	2	3	2

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested. Data as at 30.06.2026
*Inception date: 24.01.2022

Market review

After a volatile start to the year, global equity markets delivered strong returns during the second quarter. This recovery was driven in part by an uneasy truce in the Middle East, as peace negotiations between the US and Iran got underway.

Artificial intelligence (AI) remained a dominant market theme and was the primary driver of performance across global equities. The rally broadened beyond the larger semiconductor manufacturers to include other beneficiaries of AI infrastructure spending, with storage providers, semiconductor equipment suppliers and memory-related companies performing well. However, the pace and scale of investment flowing into AI infrastructure continued to prompt debate around the sustainability of valuations.

Expectations for further interest rate rises from major central banks eased towards the end of the quarter, as lower energy costs helped moderate inflation pressures. The Bank of England kept rates unchanged, signalling it remained alert to inflation risks but was yet to see signs of more persistent price pressures emerging. The US Federal Reserve also held rates during the quarter, although the new US Federal Reserve Chair Kevin Warsh adopted a more hawkish tone than anticipated. However, the European Central Bank moved its benchmark rate 25 basis points (bps) higher.

Performance and activity

The EdenTree Green Impact Equity Fund delivered a strong return over the quarter, outperforming both the MSCI ACWI Net TR Index and the IA Global sector. From a regional perspective, the Fund's underweight exposure to the US and its overweight exposure to Europe both materially outperformed, driven by strong stock selection in both regions. This was partially offset by our underperformance in Asia Pacific and the UK.

From a sector perspective, in contrast to the first quarter, the Fund's lack of direct exposure to the energy sector boosted relative performance, as the sector was negatively impacted by the retreat in energy prices following a cooling of tensions in the Middle East. Additionally, the portfolio's underweight allocation to software-related stocks was positive as the sector continues to be plagued by concerns that new AI agents could undermine traditional software-as-a-service (SaaS) models. On the negative side, our overweight exposure to the utilities sector lost ground despite positive earnings, with these defensive companies impacted by the more risk-on environment.

From a stock perspective, Infineon Technologies, Applied Materials and Lattice Semiconductor were all strong contributors to performance over the period. This was thanks in part to further strengthening in sentiment surrounding AI, but these companies also benefitted from better-than-expected first-quarter operational updates.

Stock-specific detractors over the period included sustainable engineering consultant Stantec, amid fears that demand for its services may be impacted by AI. Software firm Autodesk was another so-called 'AI loser', although it is important to note that both companies delivered solid first-quarter earnings. Logistics solutions provider Brambles also lost ground after its forward guidance was lowered due to capacity constraints.

At the thematic level, energy efficiency was the standout contributor for the quarter. This theme continues to benefit from the need to reinforce grid resilience in response to greater electricity demand, not only stemming from the roll-out of AI infrastructure, but also the ongoing electrification of economies. Key performers include Prysmian, Schneider Electric and Valmont Industries.

Companies within our sustainable transport theme also recovered in the second quarter, boosted by strong performance from Infineon Technologies and NXP Semiconductors in particular. Water was the only theme to detract from performance, as firmer long-term yields tempered appetite for these stocks – key detractors were Pentair, Xylem and Mueller Water.

Over the period, we rebalanced several of the Fund's energy efficiency holdings following a period of strong outperformance. These profits were reallocated to select stocks in the water theme, which were trading at discounted levels even though their long-term fundamentals remain sound. We also topped up the Fund's holdings in Stantec, Autodesk and Brambles, taking advantage of recent sell-offs in these stocks.

Outlook

While there is a high degree of uncertainty around how the conflict in the Middle East will evolve, our base case is that we expect to see a de-escalation in the near term. Nonetheless, the situation remains fragile and continues to generate uncertainty regarding the outlooks for both inflation and growth.

The portfolio remains constructively positioned. All of our longer-term themes persist: the global population is continuing to increase and middle classes are expanding, placing enormous pressure on the planet's finite natural resources. Additionally, awareness of global environmental challenges has increased significantly in recent years and remains pertinent to consumers, policymakers and organisations. We believe this provides a positive demand backdrop for environmental solutions, and consequently, we continue to believe that exposure to the strategy's environmental trends offers investors compelling risk-adjusted returns over the long-term.

Performance Discrete Rolling 12 months	12 months to 30/06/2023	12 months to 30/06/2024	12 months to 30/06/2025	12 months to 30/06/2026
Fund Performance (B Class)	13.4%	10.4%	3.3%	25.7%
MSCI ACWI Net TR GBP**	13.5%	20.8%	7.2%	27.7%
IA Global	10.8%	14.9%	4.5%	21.1%
Sector Quartile	2	4	3	2

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

*Inception date: 24.01.2022

**The MSCI ACWI GBP Net Total Return Index was adopted as the Fund's comparative benchmark on 1 January 2024, replacing the FTSE World TR Index. As the Fund invests in a diverse range of global companies and sectors, we compare the Fund's performance to the MSCI ACWI 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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