EdenTree Global Equity Fund

Q1 2025 Commentary

PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Fund (B Class)	-5.3%	-5.0%	-2.4%	6.1%	56.3%	80.6%
MSCI ACWI Net TR GBP*	-4.3%	1.5%	4.9%	27.1%	104.4%	190.9%
IA Global	-4.7%	-1.3%	-0.4%	13.1%	72.0%	125.0%
Sector Quartile	3	4	3	3	3	4

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

MARKET REVIEW

The first quarter of 2025 was challenging for global equities. The period was dominated by uncertainty as the second Trump administration wasted no time delivering on their election promises, the most unsettling being trade tariffs. Internal US disruption also weighed on sentiment, with the Department of Government Efficiency (DOGE) agency, led by Elon Musk, given free reign over streamlining governmental departments, leading to significant staff cuts. Sequencing concerns built, with contractionary growth policies running ahead of the more pro-growth (deregulation, tax cuts) aspects of policy, leading to lower US growth expectations.

Europe was a brighter spot. Amid wavering US commitment to European defence, Germany unshackled fiscal ties and proposed significant spending in both defence and infrastructure. The divergence in pro-growth policy marked an unexpected directional shift, supporting circa $20 billion inflows into European equities over the period.

PERFORMANCE & ACTIVITY

The EdenTree Global Equity Fund underperformed its MSCI ACWI Index benchmark during the period. European (excluding UK) equities rose 7.6% over the quarter, significantly outperforming US equities -7.4% return. The fund's relative performance was positively impacted by an underweight allocation to the US and an overweight allocation to Europe. However, an absence from the aerospace and defence sector and the tobacco sector (which were top performing industries in the first quarter but are excluded categories within our negative screening process) weighed on returns. Soft economic data in the US further supported the risk-off sentiment. The telecommunications and utilities sectors (both perceived as defensive areas of the market) outperformed, while growth-orientated sectors such as information technology underperformed, following a sustained period of significant outperformance.

The performance of companies within our Cleaner, Safer, Circular theme was mixed. Our defensive waste management holdings performed strongly but our exposure to more growth-sensitive industrial companies lagged. We continued to selectively reduce our industrial exposure. We exited the US water infrastructure company Mueller Water, which had performed strongly but saw risk to project activity, particularly within residential end markets. We also exited Aptiv early in the quarter given the trade uncertainty for its automotive end market. The US threat of tariffs elevating inflation fears alongside higher spending proposals in Europe added to the narrative that rates may not come down as quickly as expected. Therefore, banks and insurers, as beneficiaries of higher interest rates, outperformed. Prudential was the fund's top contributor during the period, rising 32% following the proposed sale of a partial stake of ICICI, a joint venture in India.

Within our Healthy Future theme, the performance of our healthcare holdings was mixed. US health departments were not exempt from cuts; key agencies like the FDA, responsible for new drug approvals, saw workforce slashed. Additionally, rhetoric around specific tariffs for the pharmaceuticals industry also weighed. We added to our existing Merck & Co holding, given weak sentiment across the sector and the low consensus expectations for the stock. Proposed budgetary cuts at the National Institutes of Health (NIH) rattled life science tools companies, given the NIH's crucial position funding research at universities and institutions. The share price of Bruker, the maker of tools used in scientific applications, fell around 30% over the quarter. We felt this was an overreaction, since approximately 4% of its revenue is tied to NIH-funded research, and added to the position. There were brighter areas within healthcare, with perceived lower risk large-cap medical technology stocks, Medtronic and Boston Scientific, rising over the quarter.

Within our Disruptive Innovation theme, companies lagged as lower growth projections in the US led to a pullback in technology stocks. It was a positive not holding many of the Magnificent 7 names, including Nvidia (-21.7%), Tesla (-37.7%), Apple (-13.9%) and Amazon (-15.9%). However, we did hold Magnificent 7 company Alphabet, which was the fund's top detractor over the period. Equally, other stocks exposed to the artificial intelligence (AI) boom, such as chip manufacturer TSMC and chip tester Chroma, also weighed on performance after strong returns in 2024. We trimmed our position in Spotify over the quarter, as the streaming platform was up over 100% on a one-year basis.

OUTLOOK

After quarter end, the US administration announced sweeping tariffs on US imports that were larger than the market had anticipated. These tariffs prompted immediate retaliatory proposals from some of the country's largest trading partners. The velocity of policy decisions has created an uncertain macroeconomic backdrop for capital allocators, which could prompt a scale back in capex and hiring plans. With the US administration seemingly unperturbed by market volatility, the question is whether economic data will prompt a shift towards a more moderate tariff agenda.

Against this backdrop, we believe it remains prudent to ensure the fund is set up resiliently for a range of potential outcomes. It cannot be ruled out that the recent market moves and the practical realities of implementing these policies may lead to them being scaled back. Additionally, there is the prospect for positive news flow in respect to monetary and fiscal policy. Governments across the world may respond by increasing spending or cutting taxes to support domestic businesses and consumers. In this scenario, the market focus may shift to inflationary risks, rather than growth downside. Furthermore, the reaction to US tariffs may also hasten the de-regulation agenda that is underway to support growth and encourage activity. Overall, the economic and market importance of potential counter-stimulus should not be overlooked.

Within this context, we reduced the fund's exposure to tariff risk ahead of the US administrations announcement, in a risk-reward rebalance driven by our proprietary engagement with companies. We believe the fund is well positioned to navigate this period of pronounced uncertainty, as it remains well diversified by region, sector and theme. Furthermore, fast-moving markets such as these provide compelling opportunities for our long-term, active investment approach. We remain focused on maintaining our valuation discipline and allocating capital to well-capitalised business models that are addressing the world's environmental and social challenges, with scope for long-term structural growth and durable free cash flow generation.

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PERFORMANCE DISCRETE	12 Months to 31/03/2021	12 Months to 31/03/2022	12 Months to 31/03/2023	12 Months to 31/03/2024	12 Months to 31/03/2025
Fund (B Class)	43.6%	2.6%	-2.9%	12.0%	-2.4%
MSCI ACWI Net TR GBP*	39.9%	14.9%	-0.7%	22.1%	4.9%
IA Global	40.6%	8.1%	-2.8%	16.8%	-0.4%
Sector Quartile	2	4	3	3	3

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

Past performance is not necessarily a guide to future returns.

*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.

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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