EdenTree Managed Income Fund

Q2 2025 Commentary

PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Fund (B Class)	6.4%	11.5%	13.6%	23.4%	47.5%	70.5%
FTSE All Share TR GBP*	4.4%	9.1%	11.2%	35.5%	67.3%	92.7%
IA Mixed Investment 40-85% Shares	3.9%	2.6%	5.5%	21.8%	32.7%	72.0%
Sector Quartile	1	1	1	2	1	3

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested.
Data as at 30.06.2025

MARKET REVIEW

Global equity markets rose in the second quarter of 2025 after a volatile start to the year. In April, the US president announced a series of tariffs on imports that caused turmoil in markets. These tariffs were rapidly retracted, only to be followed by ad-hoc announcements of new trade deals with individual governments that so far have lacked substance. Despite the uncertainty, markets recovered to the end of the period.

Fears of higher inflation, weaker consumer demand and employment in the US also subsided. However, the US Federal Reserve kept interest rates on hold at 4.25% to 4.50% as expected, much to the displeasure of the US president. At the same time, the US dollar continued its decline, eroding returns for most overseas investors in US assets year-to-date.

The European Central Bank cut its main interest rate by 25 basis points (bps) in April and 25 bps in June, as headline inflation fell and corresponding price fears subsided. European equity markets rebounded sharply over the quarter. In the UK, the Bank of England cut its benchmark interest rate in May by 25 bps to 4.25%.

PERFORMANCE & ACTIVITY

The EdenTree Managed Income Fund performed ahead of its benchmark over the quarter and remained the second-best performing fund in its overall sector for the year-to-date.

Several top contributors to the Fund's performance came from our 'value' basket, which contains stocks we consider historically cheap but in relatively unloved sectors, such as financials. Within this sector, banks performed particularly strongly, with Dutch bank ABN Amro rising by approximately 28% in sterling terms. Talanx, a German insurance company, also contributed positively to the Fund's performance, with the company reporting its strongest quarterly net income to date for the first quarter of 2025.

Holdings in our infrastructure basket also contributed positively. This basket has been a drag on performance in recent quarters, but it rebounded as interest rates expectations eased. Many of these stocks, mostly in renewable energy, rose by double digits, including Greencoat UK Wind and Renewables Infrastructure Group.

Our holding in pharmaceutical company Sanofi detracted over the period; its share price fell alongside fellow pharma stocks due to the US president's threat of a sector-specific tariff. Our holding in distribution company Bunzl also detracted, as the company issued a profit warning a few weeks after it reiterated its guidance, following management problems at its US business. Finally, our lack of exposure to the defence sector due to our sustainable screening process also detracted from relative performance.

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Fund activity was limited over the quarter, given that our current positioning appears to be well suited to the high uncertainty in markets. Given the sharp move higher in financials this year, we trimmed our exposure to banks and insurance companies. The most significant move was to add to our position in gilts, where we took advantage of circa 4% yields at the shorter end of the yield curve to lock in some of the capital gains the Fund had generated in recent months.

Overall, the Fund is still invested in five main baskets: value, capital preservers, dividend growth, fixed income and infrastructure. Our value basket remains the largest allocation, at around 28% of the total, with capital preservers, dividend growth and fixed income all around 20%. Our infrastructure basket, which largely comprises UK-listed renewable energy generators, is around 10%.

OUTLOOK

At the start of the year, we were concerned that valuations in the US were excessively inflated relative to history and other markets. The market quickly shrugged off the tariff-induced sell-off and we once again find ourselves wondering how long such high valuations can be justified at a time of weakening US growth and policy uncertainty. Recent economic data has suggested that any impact from tariffs has not been significant – or at least not yet. We, therefore, wonder how much upside in equity markets is possible, hence our decision to take some profits recently and increase our exposure to short-dated gilts.

We intend to maintain our defensive positioning. We do own the shares of some higher growth businesses at what we consider to be tolerable valuations and where we have high conviction in the sustainability of their dividends. We also own more defensive businesses, particularly in our 'capital preserver' basket, such as our current largest holding Veolia Environnement. However, we have always held the view that we cannot build a portfolio around a specific set of potential circumstances and that a portfolio needs to be widely diversified to remain resilient through variable market conditions, hence our focus on investment baskets as a risk management tool.

Our remit remains to generate a resilient yield, with the scope for capital growth. Vital to this is our investment process, whereby responsible and sustainable factors are integrated into the investment management process, with our fund managers and responsible investment team working side by side.

PERFORMANCE DISCRETE ROLLING 12 MONTHS	12 Months to 30/06/2021	12 Months to 30/06/2022	12 Months to 30/06/2023	12 Months to 30/06/2024	12 Months to 30/06/2025
Fund (B Class)	21.6%	-1.6%	-0.3%	8.9%	13.6%
FTSE All Share TR GBP*	21.5%	1.6%	7.9%	13.0%	11.2%
IA Mixed Investment 40-85% Shares	17.4%	-7.2%	3.3%	11.8%	5.5%
Sector Quartile	1	1	4	4	1

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

Past performance is not necessarily a guide to future returns.

*FTSE All-Share Index – This benchmark is a comparator against which the overall performance of the Fund can be measured. It has been chosen as the Fund's average market and sector exposure is biased in favour of UK equities and corporate bonds. The portfolio manager is not bound or influenced by the index when making investment decisions and the Fund's holdings may deviate from the benchmark's constituents.

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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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