EdenTree UK Equity Opportunities Fund

Q2 2025 Commentary

PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Fund (B Class)	8.8%	5.8%	9.1%	31.8%	35.6%	59.6%
FTSE All Share TR GBP*	4.4%	9.1%	11.2%	35.5%	67.3%	92.7%
IA UK All Companies	7.4%	7.5%	8.6%	29.8%	51.1%	69.2%
Sector Quartile	2	3	3	3	3	3

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

MARKET REVIEW

The FTSE All Share Index rose in sterling terms over the quarter. The FTSE AIM All Share, FTSE Small Cap and mid-cap FTSE 250 Indices outperformed the large-cap FTSE 100 Index.

In the UK, the Labour Party found governing tough going, as it struggled to get welfare reform legislation through Parliament and had to make a U-turn on winter fuel payments. The Bank of England (BoE) cut interest rates during the period by 25 basis points (bps) in May, taking the base rate to 4.25%. The BoE then held rates at its June meeting, citing inflationary pressure and economic uncertainty as reasons for caution.

The US stock market was volatile in the period but ultimately ended up performing strongly. Initially, equities fell dramatically due to President Trump's 'Liberation Day' announcement, but they recovered after the news of a 90-day pause to tariffs. The Federal Reserve (Fed) voted to hold interest rates at 4.25% to 4.50% at its latest meeting, with Chair of the Fed Jerome Powell acknowledging that tariff plans had affected the Fed's economic outlook, with slower growth and higher inflation forecast.

The European Central Bank (ECB) cut its key interest rate to 2.00%. However, ECB President Christine Lagarde indicated the Bank was nearing the end of its rate-cutting cycle. The conflict in Ukraine continued, although the US administration appeared keen to push for a ceasefire.

Elsewhere, Israel's military campaign extended to Iran while the US launched strikes on Iran's nuclear facilities. A fragile ceasefire is now in place. In commodity markets, the oil price was volatile as it reacted to a mix of concerns, including fears of a global trade war and the potential implications of US military strikes in Iran.

PERFORMANCE & ACTIVITY

The EdenTree UK Equity Opportunities Fund outperformed its benchmark, the FTSE All Share, during the quarter. The Fund also outperformed the IA UK All Companies sector.

In terms of sector exposures, our overweight to the investment banking and brokerage services and real estate investment and services sectors alongside our lack of holding in the oil, gas and coal sector contributed positively to the Fund's performance. Our underweight exposure to closed end investments and our lack of holding in aerospace and defence detracted from the Fund's performance.

The Fund's top contributors over the period included our overweight positions in wealth manager St James' Place, online package holiday specialist On the Beach and global provider of financial solutions Alpha Group. The share price of St James'

Place rose sharply on better-than-expected net inflows and improving market performance. On the Beach performed well on the back of strong first-half results. Finally, Alpha Group performed well as it revealed it was in discussions with Corpay about a potential takeover bid.

Detractors from the Fund's performance over the quarter included global professional services business JTC, digital identity and address verification company GB Group and ten-pin bowling company Hollywood Bowl. JTC's share price struggled largely due to the potential negative effect on the business from a weaker US dollar. GB Group's share price declined after it released full-year results to 31 March 2025. Its biggest revenue segment, Identity, saw decelerating growth. Also, incremental foreign exchange headwinds are unlikely to be helpful. Hollywood Bowl's share price fell after it released interim results to 31 March 2025. Warm and dry UK weather also negatively impacted the company's short-term trading.

In terms of activity, we opened a position in AJ Bell, one of the UK's largest investment platforms, and Kainos, an IT provider. We also increased our holdings in Howden Joinery, IntegraFin and Grainger. We took profits in Next, GlobalData, Wise, RELX, 4imprint, Convatec, Games Workshop, Advanced Medical Solutions, Sage, AstraZeneca, Legal & General, Haleon, Intercontinental Hotels Group and Tatton Asset Management. We sold out of Marlowe, Frontier IP, EnSilica, FDM and Aquis Exchange.

OUTLOOK

Global trade war uncertainty could lead to slower economic growth and higher inflation. The extent of the negative effects of tariffs will depend on how negotiations fare with the US' trade partners after President Trump's 90-day tariff pause expires. The US and China have apparently confirmed the details of a framework agreement on trade. However, US-China relations will likely be linked to trade tensions going forward, which could have global consequences.

In the UK, the economic picture is looking fairly challenged. Consumers are facing a squeeze on their disposable income; the increase in national insurance contributions could have negative implications for consumer spending, as businesses may raise prices and reduce employee pay. The tax burden for the UK taxpayer also remains high. Further tax increases cannot be ruled out in the Autumn Budget, which could impede future economic activity.

In Europe, the prolonged conflict in Ukraine will likely continue to have adverse economic impacts, although much will depend on whether the US can broker a ceasefire.

As it stands there has been a limited Iranian response to US missile strikes. Depending on how the situation develops, there could be negative effects on global trade and potentially higher oil prices.

In commodity markets, the trajectory of the oil price will depend on the strength of global demand and whether OPEC+ members follow through with production increases. Middle Eastern tensions will also have an impact. The Chinese authorities pledged to boost consumption and increase demand, but more detail is awaited on these measures.

While some political and economic risks lie ahead, we remain focused on finding new opportunities in companies that meet our strict criteria of strong earnings growth, high margins and strong cash flows.

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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)	35.7%	-24.2%	7.4%	12.5%	9.1%
FTSE All Share TR GBP*	21.5%	1.6%	7.9%	13.0%	11.2%
IA UK All Companies	27.4%	-8.6%	6.1%	12.7%	8.6%
Sector Quartile	1	4	2	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.

*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.

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Please note that the value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations, you may not get back the amount originally invested. Past performance is not necessarily a guide to future returns.

A full explanation of the characteristics of the investments is given in the Key Investor Information Document (KIID). Any forecast, figures, opinions, statements of financial market trends or investment techniques and strategies expressed are, unless otherwise stated, EdenTree Investment Management's own at the date of this document. They are considered to be reliable at the time of writing, may not necessarily be all-inclusive and are not guaranteed as to accuracy. There is no guarantee that any forecast made will come to pass.

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