Q2 2026 Commentary

EdenTree Sustainable Global Equity Fund

Performance	3 months	6 months	1 year	3 years	5 years	10 years
Fund Performance (B Class)	14.4%	9.5%	24.5%	37.9%	35.3%	136.0%
MSCI ACWI Net TR GBP*	14.2%	12.7%	27.7%	65.3%	82.2%	259.0%
IA Global	13.0%	9.9%	21.1%	45.3%	46.4%	180.6%
Sector Quartile	2	3	2	3	3	3

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

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, in particular, performing especially well. However, the pace and scale of investment flowing into AI infrastructure continued to prompt debate around the sustainability of valuations. While enthusiasm for the long-term opportunities presented by AI remains strong, periods of heightened volatility are reflecting growing questions over whether current levels of spending can ultimately generate sufficient returns on invested capital for those heavy spenders.

Expectations for further interest rate rises from major central banks eased towards the end of the quarter, as there was limited evidence of energy costs pushing broader prices higher. 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 Fund marginally outperformed its benchmark, the MSCI ACWI, during the quarter. It also outperformed the IA Global Sector, finishing mid-second quartile.

Regionally, our exposure to Japan was beneficial to the Fund's performance over the period. Despite being underweight here, our stock selection contributed strongly to returns. Our underweight exposure to the US detracted modestly, although during the quarter this underweight narrowed. At a sector level, technology was the stand-out performer for the index, and our underweight exposure here detracted from the Fund's returns. However, the Fund's industrials and communication services holdings were strong contributors.

Several of our holdings exposed to the ongoing AI infrastructure buildout generated particularly strong returns during the period. Horiba was among them, with its share price rising over 50% as investors increasingly recognised the importance of its semiconductor-related operations. The company supplies 'cleanroom' technologies used in semiconductor manufacturing, which is experiencing exceptional demand as chip production capacity continues to expand globally. Even microscopic particles can compromise the chip-making process, meaning Horiba's technologies play a critical role in maintaining production quality and yield.

Cybersecurity specialist Palo Alto was another notable contributor, as investor sentiment shifted to AI being likely to strengthen, rather than weaken, demand for trusted cybersecurity providers. As AI continues to evolve, the importance of securing systems and preventing misuse is becoming ever more critical. Our conviction that Palo Alto would form part of the solution rather than be disintermediated by AI proved well founded, with the stock gaining around 110% during the period.

Bruker, the US manufacturer of high-performance scientific instruments, also performed strongly. The life science tools company delivered a rebound in order momentum in the first quarter. This was helped by strong demand within its metrology business, which provides highly specialised measurement and testing technologies used in semiconductor manufacturing.

In terms of detractors, Boston Scientific, the medical solutions company, suffered following signs of increased competition within its cardiovascular business. While management maintained its broader outlook, a slower-than-expected growth profile in key product areas disappointed investors. We remain constructive on the long-term opportunity and believe current challenges are largely transitional.

Nike also detracted. The company is navigating a significant turnaround under returning CEO Elliott Hill, as it seeks to rebuild market share, improve inventory management and address competitive pressures. While progress may take time, we continue to believe the strength of its brand and the operational improvements underway provide a path to recovery.

Borregaard, the specialty chemicals company, experienced a weaker quarter following a disappointing trading update. Margin pressures increased as input cost headwinds persisted and competitive pressures intensified within certain end markets, particularly from Chinese competitors.

We added a new holding over the period, ingredients company Kerry Group. Its solutions include enabling the formulation of more nutritious food and boosting flavours from key ingredients such as cocoa, which is facing climate induced scarcity. This addition also adds factor exposure to the consumer staples sector, which was previously absent, at an attractive valuation for a sustainable solutions leader in the space.

Outlook

While the AI investment cycle remains one of the most compelling structural growth opportunities globally, we believe investors should be increasingly mindful of both competition and valuation.

From an investment perspective, the key question is no longer whether AI adoption will continue, but whether the enormous level of capital currently being invested can generate sufficient economic returns – the sustainability of the rally in semiconductors and related infrastructure businesses ultimately depends on it.

We are also seeing signs of market segmentation emerging, with businesses increasingly evaluating a mix of cloud-based AI services and local, or “on-premises”, AI solutions. As models become more efficient and competition intensifies, customers may have greater flexibility regarding where and how AI workloads are processed. Greater competition is typically positive for end-users but may reduce profitability and returns across the ecosystem.

Against this backdrop, we remain disciplined in our approach. We continued to identify attractive opportunities, but we are unwilling to chase areas of the market where expectations and valuations appear disconnected from underlying fundamentals. We believe a balanced and valuation-conscious approach will be increasingly important as the next phase of this theme develops.

Performance Discrete Rolling 12 months	12 months to 30/06/2022	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)	-13.9%	13.9%	11.2%	-0.4%	24.5%
MSCI ACWI Net TR GBP*	-2.8%	13.5%	20.8%	7.2%	27.7%
IA Global	-9.1%	10.8%	14.9%	4.5%	21.1%
Sector Quartile	3	2	3	4	2

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