

EdenTree Multi-Asset Balanced

Q1 2025 Commentary



PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	ITD*
Fund (B Class)	0.7%	-1.8%	3.0%	3.5%	-0.52%
IA Mixed Investment 40-85% Shares*	-1.2%	-0.1%	3.3%	8.5%	8.78%
Sector Quartile	1	4	3	4	4

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

*Inception Date 1st July 2021

Data as at 31.03.2025

MARKET REVIEW

Global equity markets fell during the first quarter of 2025. During the period, US President Trump's threat to implement significant worldwide tariffs and their potential impact on the global economy prompted investors to take a more cautious approach to US assets, particularly equities. Consequently, the period saw a rotation out of the US in favour of Europe.

While this rotation was fairly broad-based, Europe's defence sector received an additional boost from the growing recognition that Europe would need to spend more on defence, as the US moved in a more isolationist direction. The change in fiscal tone across Europe was particularly evident in Germany where the incoming coalition announced plans to significantly expand both infrastructure and defence spending by reforming constitutional rules on fiscal borrowing.

The MSCI World Index declined by 4.6% in sterling terms. In the US, the S&P 500 Index and the NASDAQ Composite dropped 7.2% and 13.0%, respectively, in sterling terms. In the UK, the FTSE All-Share rose 4.5% in sterling terms, with large-cap companies outperforming small and mid-caps. Meanwhile, in Europe, the FTSE World Europe Index ex UK rose 7.8% in sterling terms. Japan's Topix fell 1.7% in sterling terms. The MSCI Emerging Market Index slid a modest 0.1% in sterling terms, with emerging market equities boosted by the strong performance of China-related stocks. In addition, value outperformed growth during the quarter.

On the macroeconomic front, The US Federal Reserve (Fed) kept interest rates unchanged during the quarter, with Fed officials cautious about reducing interest rates due to the possible inflationary effects of Trump's tariffs. The European Central Bank cut its key deposit facility rate twice in the period to 2.5%. The Bank of England (BoE) also cut rates during the period by 25 basis points (bps) in February, taking the base rate to 4.5%. However, the BoE held rates at its March meeting, citing inflationary pressure and economic uncertainty as reasons for caution.

In fixed income markets, 10-year US government bond yields fell during the period, from 4.6% to 4.2%. There was an increased demand for US 10-year government bonds due to the risk-off tone in markets, with investors seeking safe-haven assets amid economic uncertainty. Investors also anticipated the Fed may have to lower interest rates due to the possible inflationary effects of Trump's tariffs, contributing to the falling bond yields. In Europe, the German 10-year government bond yield rose, from 2.4% to 2.7% over the quarter. The German government's increased borrowing to fund greater infrastructure and defence spending pushed up bond yields, as investors demanded higher returns for lending.

EdenTree Multi-Asset Balanced

Q1 2025 Commentary



PERFORMANCE & ACTIVITY

The EdenTree Multi-Asset Balanced Fund returned -0.7% in sterling terms over the quarter, outperforming the IA Mixed Investments 40-85% sector, which returned -1.2%.

In terms of the EdenTree Multi-Asset Balanced Fund's overall equity performance, its tilt towards value and underweight US exposure contributed positively to performance. The portfolio's lack of exposure to the oil and gas sector, due to its responsible and sustainable principles, contributed negatively to its performance, as a rise in the price of oil positively impacted the sector. The portfolio's exposure to European equities, through its holding in EdenTree's European Equity Fund, was the strongest contributor over the quarter, benefitting from an overweight exposure to the financial sector. Banks rebounded strongly over the quarter, after coming under pressure at the end of last year on concerns that declining interest rates would negatively affect banks' earnings. This rebound was partly on signs that European growth would be stronger in 2025 and partly reflecting idiosyncratic newsflow, notably Italian bank UniCredit's takeover of German bank Commerzbank. Although the UK market performed well, the EdenTree Multi-Asset Balanced Fund's exposure to UK small caps, through its holding in EdenTree's UK Equity Opportunities Fund, negatively affected performance.

The portfolio maintains a modest underweight fixed income versus equities allocation, which provided some ballast over the quarter, although UK and European bond yields moved higher in response to the commitment to higher defence spending across the region. The portfolio's fixed income exposure is fairly defensively positioned, favouring quality over credit through its holdings in EdenTree's Sterling Bond Fund and Short Dated Bond Fund. The EdenTree Sterling Bond Fund contributed positively to the fund's performance during the period.

Concerns about a weakening of environmental policies under Donald Trump negatively impacted the portfolio's infrastructure exposure, held via the EdenTree Green Infrastructure Fund. The contribution of the EdenTree Multi-Asset Balanced Fund's real estate exposure, which is held through a mix of UK and overseas real estate investment trusts (REITs), was flat over the period.

OUTLOOK

The future is opaque given the uncertainty relating to the US administration's constantly changing economic and foreign policies. However, with this high level of uncertainty, both people and businesses are likely to put major investment decisions on pause. In addition, April's announcement of worldwide tariffs – while ultimately suspended – is likely to have a negative impact on many sectors, as well as growth prospects in the US and elsewhere.

Tactical Asset Allocation**

From an asset allocation perspective, we remain slightly overweight equities versus fixed income, although our equity exposure remains tilted away from the US, where we see companies being most harmed by Trump's economic policies. Our equity exposure continues to favour more value-orientated areas of the economy, as we still see value as being the most attractive area of the market right now.

Within the EdenTree Multi-Asset Balanced Fund's fixed income component, we continue to hold an overweight long-duration position, and we remain underweight credit versus quality. In terms of the portfolio's exposure to property and infrastructure, these assets remain attractive as both listed infrastructure funds and property REITs stand at large discounts to NAV and also offer some inflation linkage.

EdenTree Multi-Asset Balanced

Q1 2025 Commentary



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)			-5.3%	6.2%	3.0%
IA Mixed Investment 40-85% Shares*			-4.6%	10.1%	3.3%
Sector Quartile			3	4	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 range of assets, investors may compare the Fund's performance to the Investment Association Mixed investment Sector 40-85% shares. Funds in this sector must have between 40 to 85% invested in company shares. However, the Manager is not bound or influenced by the Sector category when making investment decisions

** Our tactical asset allocation decisions are informed by the quarterly meeting of EdenTree's Tactical Asset Allocation Committee, which analyses prevailing macroeconomic conditions, discusses positioning within each of the sub-funds and determines the appropriate factor exposures for the multi-asset portfolios.

This document has been prepared by EdenTree Investment Management Limited for Financial Advisors, other intermediaries and other investment professionals only. It is not suitable for private individuals. This document has been produced for information purposes only and as such the views contained herein are not to be taken as advice or recommendation to buy or sell any investment or interest thereto.

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.

For further information please speak to your normal EdenTree representative, visit www.edentreeim.com or call our support team on **0800 011 3821**

EdenTree Investment Management Limited (EdenTree) Reg. No. 2519319. Registered in England at Benefact House, 2000, Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW, United Kingdom.

EdenTree is authorised and regulated by the Financial Conduct Authority and is a member of the Investment Association.

Firm Reference Number 527473.