

EDENTREE RESPONSIBLE AND SUSTAINABLE EUROPEAN EQUITY B - GBP

INVESTMENT RESEARCH NOTE
MARCH 2024

Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

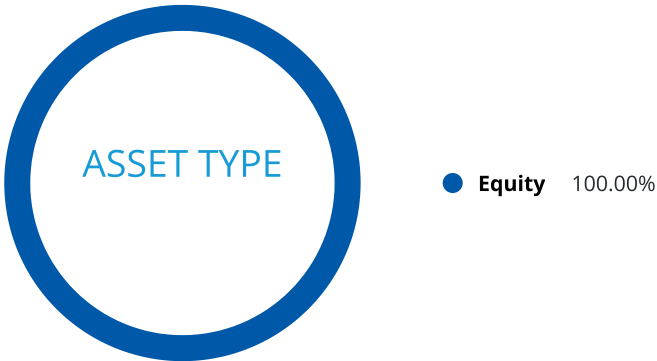
DESCRIPTION

SUMMARY

EdenTree was formally known as Ecclesiastical Asset Management and was re-branded in 2015. It is wholly owned by Benefact Group that was established in 1887. The firm claims to have a strong and long history of ESG integration, launching one of the first ethical funds available in the UK back in 1988.

The fund manager is Chris Hiorns, who joined EdenTree in 1996 and became the lead manager of the fund in 2007. He is assisted by David Osfield, who joined in 2016 from Alliance Trust. They operate as a duo for this strategy. The fund was launched in 1999 and remains small despite its long track history given a lack of marketing in the past.

The fund is a bottom-up fundamental stocking picking fund, with a strongly embedded sustainable and responsible value bias. which is fully integrated into the process. The fund seeks to invest in a portfolio of mainly large-cap companies which make a positive contribution to society and the environment through sustainable and socially responsible practices. It will avoid investment in certain areas such as companies with a material involvement in alcohol, tobacco, weapons production and gambling. The fund aims for a contrarian approach to asset selection, focusing on buying good companies at attractive valuations, ideally on a long term investment time horizon. The fund would typically expect to offer an above market dividend yield, with below average earnings multiples and price to book measures.



INVESTMENT PROCESS

The Edentree European Fund is part of the 7 strong fund offer at EdenTree, based around 4 equity funds, 1 multi-asset and 2 fixed income funds. There is a 'value' bias to the investment process in this fund, but also for the majority of the other equity funds, which makes the investment culture and process at Edentree rather usual when compared to the preponderance of growth and momentum investing across equity markets over the last several years.

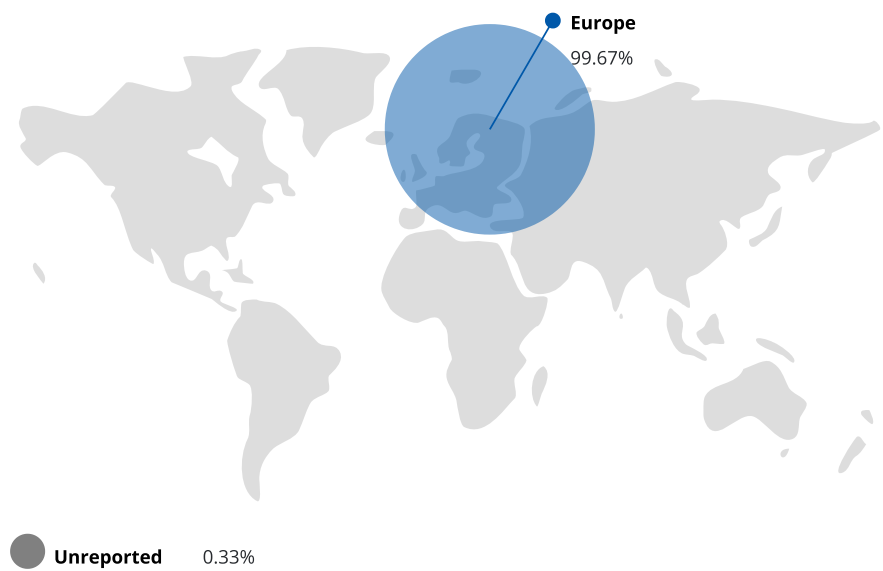
The 'value' tilt in investing is focused on identifying good companies that have fallen out of favour. Value is identified via a fairly traditional approach to analysing value; with a focus on free cash flow, dividend growth prospects and 'sum of parts' analysis. Value traps are avoided by seeking out potential turning points for earnings bases around macro or industrial headwinds abating or turning positive. Chris Hiorns manages the fund alongside David Osfield, who in turn is the lead manager on the Edentree International Fund. The active equity team is quite small, 4 managers across 4 funds, but the overlap of process across the team should be seen as a positive in terms of resource.

EdenTree have used ESG as part of their investment process for over 30 years and there are 3 full time ESG Analysts embedded into the equity team under Neville White, previously head of ethical investment at the Methodist Church and CCLA. Negative screens exclude around 10% of the addressable universe and the ESG analysts produce detailed research on all the holdings. The internal ratings system builds on the external work from ISS and is an absolute rather than a relative scoring system. eg the best ESG score in a poor ESG sector would still be excluded from selection. The ESG team also engage with companies to improve ESG behaviour and address any particular issues. Those holdings that fail a ESG report are then sold within a reasonable timeframe. While ESG integration is robust, there is no mandated ESG scoring mechanism in place, and the ESG team score companies on a qualitative basis. They focus also on sustainability themes, currently totaling 4 in number (i.e. education, health, social interaction and sustainable solutions). These are referenced against the UN Sustainable Development Goals ('SDG') when analysing companies. Areas avoided include mining and oil & gas.

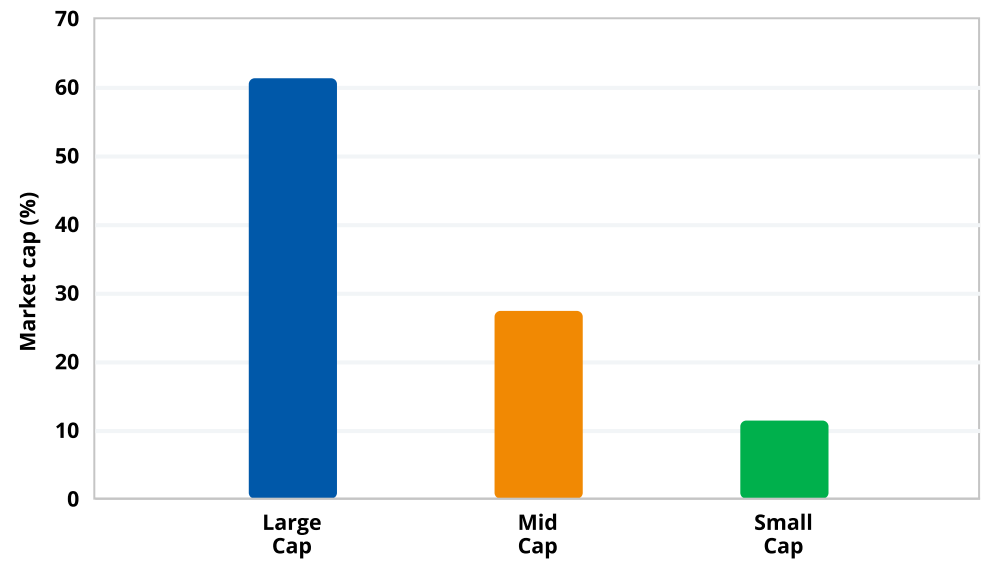
Portfolio construction is fairly 'flexible', with an official 5% stock limit, but a soft limit of 3% in reality which the FM adheres to to ensure a good degree of diversification in the portfolio. Typically the fund holds c.50 individual names with the current top 10 exposure of less than c.30%, supporting that diverse approach. Holding period is long-term, c.7 years.

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



Not Applicable



Not Applicable

OVERALL PERFORMANCE

● EdenTree Responsible & Sust Eurp Eq B ● World Europe Equity Ex UK GBP

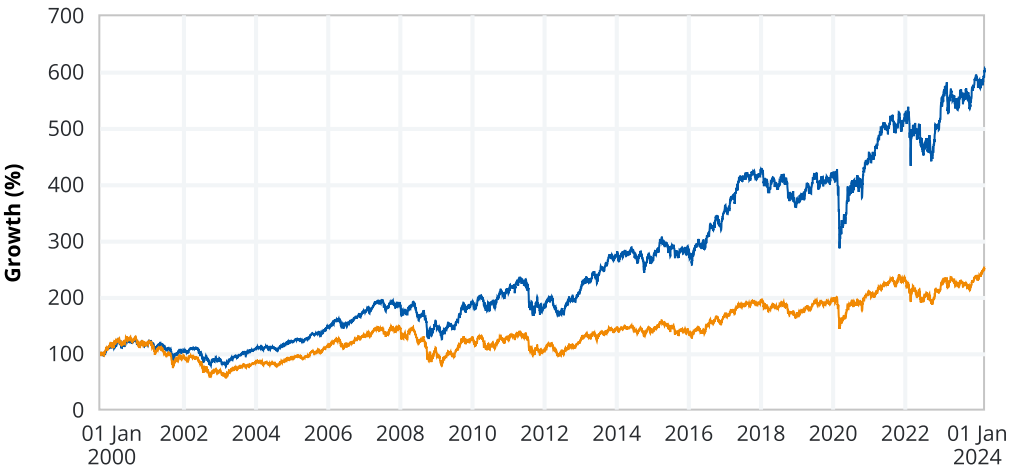
GROWTH (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



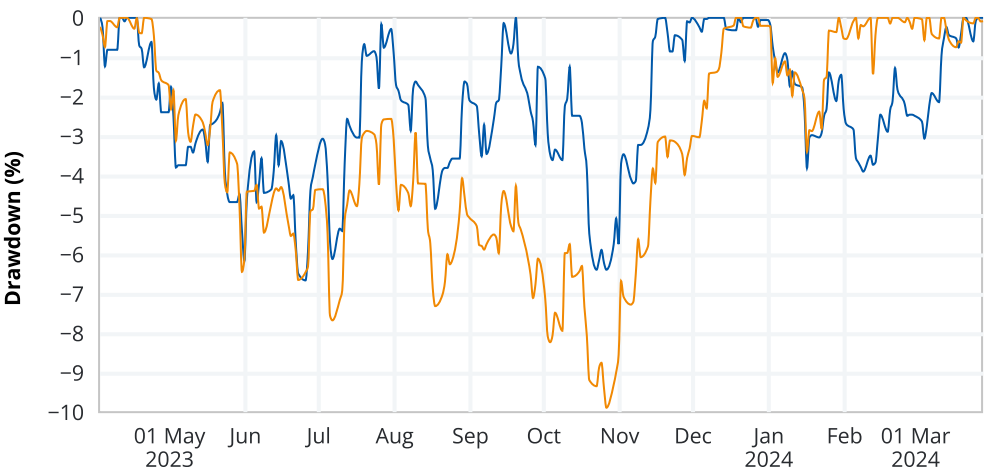
GROWTH (%) - FROM INCEPTION

17 Sep 1999 - 29 Mar 2024



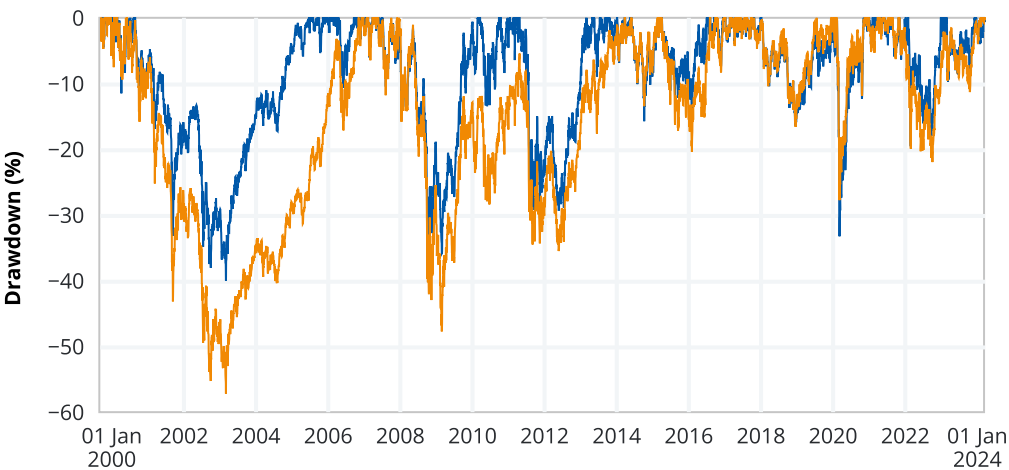
DRAWDOWN (%) - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024



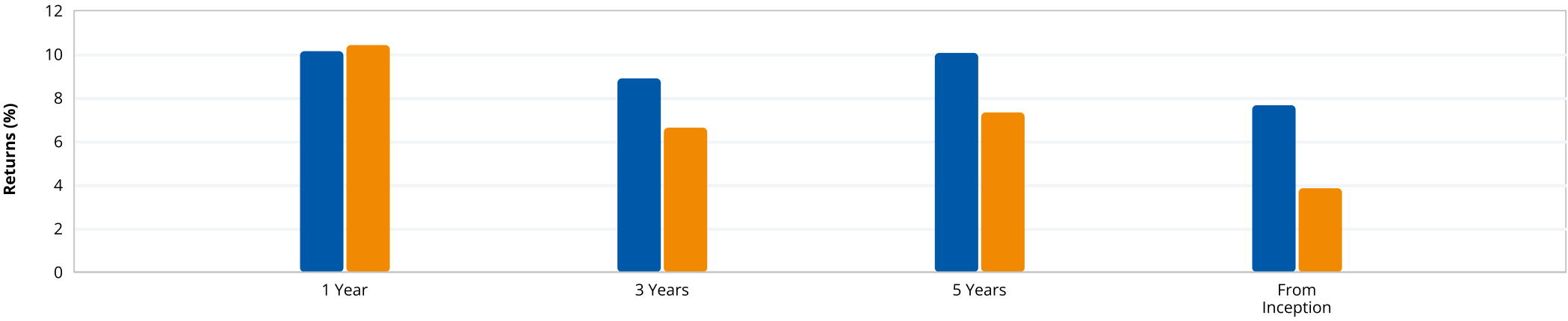
DRAWDOWN (%) - FROM INCEPTION

17 Sep 1999 - 29 Mar 2024



RETURNS

● EdenTree Responsible & Sust Eurp Eq B ● World Europe Equity Ex UK GBP



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	-1.39	-1.03	4.85										2.34
2023	5.91	4.17	-3.07	0.75	-3.08	1.79	3.56	-1.40	0.54	-3.89	5.64	3.81	15.01
2022	0.05	-5.31	2.69	-1.58	2.07	-8.49	2.37	-2.33	-3.70	6.65	6.06	2.78	0.10
2021	0.12	1.92	5.22	3.95	2.53	-1.08	0.93	3.84	-2.68	-0.38	-2.29	4.56	17.51
2020	-2.32	-5.53	-16.00	7.94	6.27	6.07	-0.87	3.59	-1.38	-4.80	14.78	1.46	5.91
2019	3.71	0.69	0.04	6.35	-4.07	6.89	1.41	-3.02	1.42	-1.85	1.62	1.33	14.85

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
EdenTree Responsible & Sust Eurp Eq B	10.14	8.89	10.06	7.66
World Europe Equity Ex UK GBP	10.42	6.63	7.33	3.85

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
EdenTree Responsible & Sust Eurp Eq B	10.06	28.95	61.19	507.52
World Europe Equity Ex UK GBP	10.34	21.11	42.27	151.69

● EdenTree Responsible & Sust Eurp Eq B ● World Europe Equity Ex UK GBP

PERFORMANCE - OVER 1 YEAR

3 Apr 2023 - 29 Mar 2024

	●	●
RETURNS (%)	10.14	10.42
VOLATILITY (%)	10.98	10.71
ALPHA	0.24 *	
BETA	0.83 *	1.00
CORRELATION	0.84 *	1.00
SHARPE RATIO	0.45	0.49
SORTINO RATIO	0.68	0.71
MAX DRAWDOWN (%)	-6.66	-9.89

*Calculated over a 3 year period where history permits.

PERFORMANCE - FROM INCEPTION

17 Sep 1999 - 29 Mar 2024

	●	●
RETURNS (%)	7.66	3.85
VOLATILITY (%)	17.07	19.80
ALPHA	0.31	
BETA	0.84	1.00
CORRELATION	0.94	1.00
SHARPE RATIO	0.30	0.07
SORTINO RATIO	0.41	0.10
MAX DRAWDOWN (%)	-39.98	-57.18

SIMPLE STRESS TEST DRAWDOWN (%)

3 Apr 2023 - 29 Mar 2024



Stress test notes

The chart shows the calculated drawdown over the last year. The Review Point is the fund intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown hit the review point, then this indicates that market conditions may be abnormal. This is the point that we would consider taking immediate action for an extreme market event.

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