Global Strategic Bond Fund

NEDGROUP INVESTMENTS

▶ Core. Nimble. Proven.

April 2025 Commentary

ISIN for Class D Acc USD: IE000H9BC817 | ISIN for Class D Inc GBP hedged: IE000TEXPBZ5

MARKETING COMMUNICATION

MONTHLY PORTFOLIO UPDATE

Our investment approach

- Actively managed, core global bond portfolio focused on developed market liquid issuers, in hard currency.
- Nimble decision-making driven by valuations, fundamentals and technicals.
- Alpha generation through relative value, duration and credit selection.

Portfolio Management Team

Alex Ralph

Co-portfolio Manager

25 years in the industry

David Roberts

Co-portfolio Manager

35 years in the industry

What do we mean core and nimble? Inside, we share the fund's return drivers, portfolio positioning and put the spotlight on a bond bought/sold.

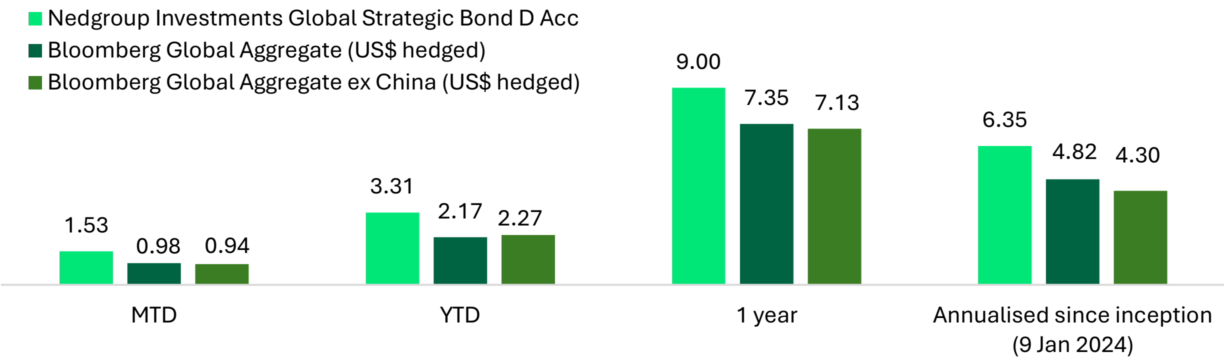
Performance and markets

This may have been one of the maddest months in market history over our three decades of investing. That said, US Treasuries ended the month unchanged. The "Trump tariff flip-flop" drove increased volatility. While a boon for active managers like us, Alex and I learned long ago about the importance of sticking to process, recognising the short-term disruption politics can cause, and crucially understanding that markets almost always revert to economic principles.

In February, we trimmed our credit exposure on valuation grounds. As credit spreads widened aggressively in April, we tactically bought back. Additionally, we took our first position in Italian sovereigns based on value, ending the month with none as they had rallied. No heroic trades, just hard work and a lot of time spent on trying to separate economic truth from political fiction.

Fund performance

Past performance is not indicative of future performance and does not predict future return.



Data as at 30 April 2025. Fund returns are in US$ based on Class D Accumulation. Bloomberg Global Aggregate Total Return Index (hedged to US$) and Bloomberg Global Aggregate ex China Total Return Index (hedged to US$). Source: Morningstar, Bloomberg

Key return drivers

Over the month, the fund returned 1.53%, Bloomberg Global Aggregate (US$ hedged), 0.98% and Bloomberg Global Aggregate ex China (US$ hedged), 0.94%.

The excess return has been attributed vs Bloomberg Global Agg ex China using a top-down methodology:

Total excess return for the month (vs Bloomberg Global Agg ex China): +60bps		
Contribution		**Positioning comments**
Duration	+10bps	• Close to neutral most of the month, however we added at yield highs and sold "tactically" a couple of times. It was that kind of month.
Curve	+25bps	• Heavily weighted to shorter bonds. US 5 year versus 30 year "steepened" 20bp, Germany 10bp but the star was Australia where we sold 3 year to 10 year at multi year highs only for it to snap back in our favour. Value was key.
Geography	+25bps	• Our overweight EU and UK more than offset an underweight Japan (we were neutral US). • We had no Canada, the worst performing G7 market, temporarily owned Italy and at month end held a small, strongly performing New Zealand position.
Asset allocation	-20 bps	• Corporate credit had a wild ride. Especially high yield. • We sold down credit going into April reducing our "structural" index relative overweight. Buying some back at judicious levels in April mitigated exposure.
Credit sector/ security selection:	+20 bps	• Utilities and telcos outperformed in the sell-off and ended the month little unchanged. Our exposure to these sectors helped, as did our positioning in the short end of the credit curve as excess returns were weakest in the long end. • Company results and buy backs also added to performance.

Positioning recap and outlook

Total portfolio: Yield = 5.0% (% exc. futures), Duration = 5.7 years, ESG rating: AA

Rates (weight = 34.8% (37% inc. futures), yield = 4.1%, duration = 4.7 years)

Positioning in sovereign bonds	Fund	Expected fund range	Index
	34.8% (37% inc. futures)	30% - 40%	53%
Investment perspectives	**Valuations** Markets are pricing US "stagflation" which feels appropriate. Other G7 bonds should benefit from US trade policy.	**Fundamentals** Forward looking numbers are awful. US Q1 GDP was negative and confidence off the charts.	**Technicals** Supply in EU is being offset by strong demand as US risks losing safe haven status.

- We expect core bond markets to continue to be volatile
- We continue to focus on multiple small positions rather than large directional bets.
- We expect similar curve and duration themes for the remainder of Q2 as we saw in April.

Contribution data and positioning information as of 30 April 2025. Yield shown is yield to worst. Source: Nedgroup Investments. Valuations are based on a medium-term outlook. For government bonds, this is determined by market returns (beta) relative to inflation/inflation expectations and real growth. For corporates, this is determined by adjusting expected excess returns for risk (default and volatility). Valuation based strategic positioning may be adjusted for shorter term technical or fundamental economic factors.

Credit (IG: weight = 46.9%, yield= 5.2%, duration = 4.8 years)
(HY: weight = 16.4%, yield= 6.9%, duration = 2.8 years)

Positioning in corporate bonds	Fund	Expected fund range	Index
	Investment grade: 46.9%	20% - 60%	19%*
	High yield: 16.4%	20% - 30%	0%
Investment perspectives	**Valuations** The sell-off at the beginning of the month created opportunities to pick up decent credit at decent levels for the first time in a while. The market soon snapped back, however. Valuations are vulnerable to deteriorating economic data.	**Fundamentals** Earnings season arrived as expected with no big surprises. However, some companies warned on future margin contraction due to tariff effect with US consumer-facing companies vulnerable due to high leverage pre-slowdown.	**Technicals** The beginning of the month witnessed record outflows. Large cash balances cushioned the impact and inflows resumed as the market recovered.

*"Pure" IG credit. Add in Structured, Agency and EM and the index has 47%

- History suggests there could be further credit spread widening ahead. We have probably seen peak intraday volatility, but we expect it to remain high as opposing data and headlines are released.
- We believe it is prudent to remain defensive in our positioning both in sector, seniority and duration. There should be lots of opportunity to add value through credit selection in the months ahead, as market turbulence provides opportunities to pick up mispriced bonds.

Portfolio changes and where next

Having reduced credit risk in February and March we incrementally added back in April. Forward looking economic conditions have deteriorated sharply and even if we see a complete reset of global trade terms, the hit to investment and consumer confidence will not quickly be repaired. Our sector positioning continues to be defensive. Q1 GDP for non-US will be good as RoW floods the US market pre-tariffs.

We expect a slowdown in activity from then on. It is difficult to see anything other than higher inflation in the US, lower for the rest of the G7 and a generic hit to growth. We will therefore remain conservative in our credit investments while adding value through relative rates positioning.

Spotlight on an issuer sold: Forvia

Forvia is a French high yield auto components issuer that is a global supplier to OEMs, with a significant European business.

- **Fundamentals:** Forvia performed well due to strong order volumes from leading electric vehicle manufacturer BYD. They were also able to maintain fiscal year earnings guidance, with tariff impact less severe than feared.
- **Valuation:** As a key provider in the auto supply chain, Forvia was exposed to the tariff volatility however, the rebound following their stronger than expected results enabled outperformance versus peers and an exit opportunity above Liberation Day levels.
- **Technicals:** Political noise will continue to drive valuations and sector positioning, so we are happy to reduce exposure to credits which have outperformed versus peers.

Contribution data and positioning information as of 30 April 2025. Yield shown is yield to worst. Source: Nedgroup Investments

What to watch out for next month

Rates:	Credit:
More dispersion between US and other G7 "safe havens" is likely. Fears of recession are not 100% in the price. However, with multiple rate cuts expected, we would be reluctant to chase duration when so many good intra-market opportunities exist We have benefitted from curve steepening; US and EU markets are now much more "normal" in that respect. Realised stagflation and multiple rate cuts can take them beyond the norm and although we have tempered our positions, we would add back should investor complacency return.	Traditionally May suffers from poor technicals as supply ratchets up ahead of a summer lull. Inflows returned towards the end of April, but this needs to be sustained for the market to absorb new issuance. Large cash balances have so far cushioned credit to a certain extent. The big question is whether headlines and economic data can remain healthy enough to generate the extra demand needed to sustain a credit rally.

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