

Global Strategic Bond Fund



► Core. Nimble. Proven.

August 2025 Commentary

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

MARKETING COMMUNICATION

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

We often joke that one of the first lessons in fixed income is learning the word bifurcated. It's a favourite of ours and particularly apt for today's bond markets. What's unusual this time is that the split is more geographic than credit-driven. Credit spreads have widened slightly, but without the typical decompression — quality hasn't been the main story.

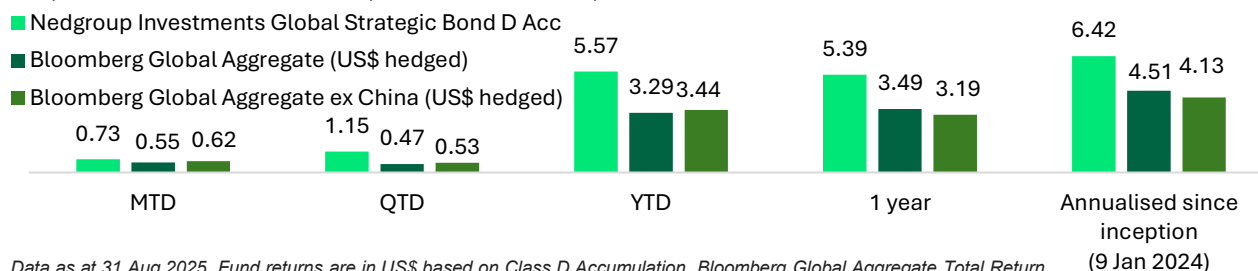
New Zealand stood out, with a dovish central bank surprising markets and driving strong performance. We took profits there. US and Canadian markets held their ground, supported by stable rate expectations and resilient credit.

The UK was the clear underperformer. Gilts and credit posted total return losses, even trailing France, where political uncertainty is once again rising amid expectations of another change in prime minister.

In short, the global bond landscape remains fragmented — not by fundamentals, but by policy and macro direction.

Fund performance

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



Data as at 31 Aug 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. The share classes being offered in Germany are newly launched and do not have their own historical performance data. The performance information presented in this marketing material relates to the nearest comparable share class and is provided solely for indicative purposes. Differences in fees, and other factors may affect future performance. Investors should not rely solely on this information when making investment decisions."

Key return drivers

Over the month, the fund returned 0.73%, Bloomberg Global Aggregate (US\$ hedged), 0.55% and Bloomberg Global Aggregate ex China (US\$ hedged), 0.62%.

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): +11bps		
Contribution		Positioning comments
Duration	0bps	<ul style="list-style-type: none"> Index returns were driven by income. Despite have lower than index duration, gains were made by taking advantage of market volatility, especially around the release of US employment data.
Curve	+15bps	<ul style="list-style-type: none"> Big moves as result of politics and economic concerns (Lisa Cook/France). We scaled back our "steepeners" in EU and US as curves normalised. Residual positions continue to work well.
Geography	-5bps	<ul style="list-style-type: none"> Gains from being overweight NZ and underweight Japan were offset by adding an early position in the UK and rotating into Europe (from the US) - both of which were driven by longer term value.
Asset allocation	-5bps	<ul style="list-style-type: none"> Credit spreads moved slightly wider but most of that was offset by positive carry versus the rates markets Our overweight credit position and weighting to EUR credit was a drag. However, high yield was additive even though spreads ending a little wider.
Credit sector/ security selection	+6bps	<ul style="list-style-type: none"> Whilst spreads widened, our stock selection had a positive impact. Adler Pelzer and Arqiva were highlights. On a sector level, our utility exposure outperformed. Our more defensive positioning in financials also helped as the sector underperformed given the focus on politics.

Positioning recap and outlook

Total portfolio: Yield = 4.5% (% exc. futures), Duration = 5.5 years, ESG rating: A

Rates (weight = 30.7% (33% inc. futures), yield = 4.1%, duration = 5.0 years)

Positioning in sovereign bonds	Fund	Expected fund range	Index
	30.7% (33% inc. futures)	30% - 40%	53%
Investment perspectives	Valuation Most markets are fair to modestly cheap offering positive real returns longer term.	Fundamentals G7 is ticking along - slightly better than consensus had predicted.	Technicals Strong demand remains. Rebalancing from risk assets continues especially into credit

- Return dispersion continues to be a key theme in global bonds.
- Economic data supported central bank responses.
- Political risk weighed on French bonds. Meanwhile, concerns over Fed independence benefitted US bonds.

Contribution data and positioning information as of 31 Aug 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 = 45.8%, yield= 5.0%, duration = 4.9 years)
(HY: weight = 16.6%, yield= 6.1%, duration = 2.6 years)

Positioning in corporate bonds	Fund	Expected fund range	Index
	Investment grade: 46%	20% - 60%	19%*
	High yield: 17%	20% - 30%	0%
Investment perspectives	Valuations Credit spreads widened in the last two weeks of August but still remain expensive with little obvious reason to chase the market.	Fundamentals Results continued to beat reduced expectations. Tarriff noise quietened down on results calls as the more extreme scenarios are no longer in play. Efficiency gains – cost cutting – has so far mitigated any tarriff impact.	Technicals Continued strong inflows in credit but it did not prevent the widening we saw at the end of the month. Seasonally weak technicals are upon us with large new issuance expected.

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

- European investment grade underperformed this month, driven by financials. French bank spreads, in particular, were driven wider by concerns over an imminent government collapse. We have little exposure to French corporates.
- August was notable for its diverging individual credit performance – particularly on the short end. Results drove some of this but illiquid summer trading also contributed.

Portfolio changes and where next

August felt subdued compared to the volatility of prior months. Economic data largely met expectations, leaving little room for surprise. As has increasingly been the case, politics offered the most compelling short-term opportunities — and that dynamic looks set to continue into September.

In France, the government faces a likely confidence vote, adding pressure to local markets. Meanwhile, in the US, political rhetoric is intensifying. The White House continues to target the Fed — both institutionally and personally — raising concerns about central bank independence. A risk we continue to have on our radar.

Risk markets, though fully valued, may initially respond positively to a rate-cutting Trump-led administration. But history reminds us that political interference in monetary policy — especially when aimed at engineering a boom — rarely ends well. The music may still be playing, but the tune is sounding increasingly discordant.

Spotlight on an issuer sold: IWG

- **Valuation:** IWG has been our preferred higher-beta real estate credit. We participated in the new issue in May, and while the bond initially underperformed the broader market, we viewed this as unjustified and added to our position. Following a 50bps tightening, we exited the trade, using the rally as an opportunity to reduce overall credit beta — particularly as spreads reached year-to-date tights through August.
- **Fundamentals:** IWG continues to demonstrate solid operating momentum, successfully converting office space signings into openings. Demand for flexible office solutions remains robust. A modest miss in 1H25, driven by increased marketing spend, led to a pullback in the equity after a strong run. Nonetheless, the company remains on track to meet its medium-term profitability targets.
- **Technicals:** The bond has been well offered since issuance, which has weighed on technicals. However, real estate has been the best-performing sector over the summer. With valuations now stretched, we see limited room for further outperformance.

Contribution data and positioning information as of 31 Aug 2025. Yield shown is yield to worst. Source: Nedgroup Investments

What to watch out for next month

Rates:

US markets are now pricing 6 rate cuts for a terminal rate below 3% by 2027. A lot is priced in for poor economics/Fed reactions. Unless Cook goes, we could see a retracement of US versus the rest of the G7. UK bonds have sold off thanks to robust data and in Germany, on concerns over supply. Each could surprise to the upside, at least relative to the US, so we are modestly overweight each and underweight US Treasuries.

Credit:

Spreads have begun to widen but how far they can go depends on whether markets can continue to brush off increased political noise. So far, markets are yet to take Fed interference seriously or, more likely, concentrating on a loosening of monetary policy. This balance could shift.

Increased issuance is likely to weigh on credit markets this month anyway, so we wait for a better entry level to increase credit beta.

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