Global Strategic Bond Fund

▶ Core. Nimble. Proven.

August 2026 Commentary, Marketing Communication

ISINs: Class D Acc USD: IE000H9BC817 | Class D Inc GBP hedged: IE000TEXPBZ5
Class D Inc EUR hedged: IE0009J3J172

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

26 years in the industry

David Roberts

Co-portfolio Manager

36 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

You would have been forgiven for thinking bonds were trashed in August. The headlines suggested yields were at multi- decade highs as Middle Eastern tensions ratcheted higher and US central bankers talked of interest rate hikes. Prices did fall a little. However, at the index level, total return was marginally positive as that "multi decade high" income offset modest capital losses.

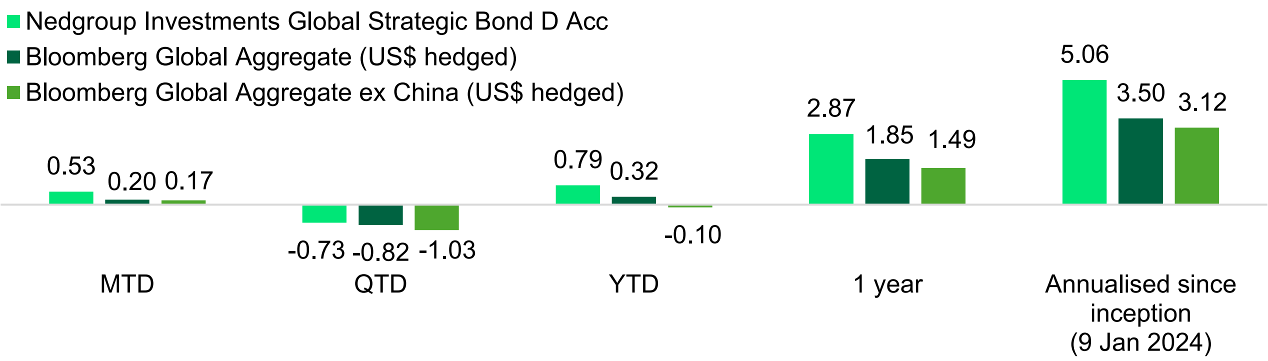
It was a pleasing month for relative return – flattered by an unfavourable pricing point a month ago and a favourable one as August closed, but good nonetheless. Each of our performance drivers added value, rather than relying on one hero bet. Rates volatility continued, not least as the move to price more hikes meant bond curves flattened.

Conditions remained benign in corporate bond land. Our residual modest index overweight position gave us positive carry. Additionally, we saw strong contribution from individual bonds and sector positioning.

Overall, a challenging month and thankfully, one that generated value for investors.

Fund performance (USD)
(Other currencies at the end of document)

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



Data as at 28 August 2026. 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 0.53%, Bloomberg Global Aggregate (US$ hedged), 0.20% and Bloomberg Global Aggregate ex China (US$ hedged), 0.17%.

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

Total excess return for the month (net vs Bloomberg Global Agg ex China): +36bps		
Contribution		**Positioning comments**
Duration	+7bps	We moved more index neutral, successfully playing the ongoing rates volatility and capturing incremental basis point wins on several occasions.
Curve	+6bps	Curves looked too steep for prospective central bank hikes. We had opposed consensus and that proved correct especially toward month-end as Jackson Hole summit suggested imminent US policy moves.
Geography	+4bps	Underweight Japan, UK and Canada made us modest gains and we closed the latter two on weakness versus US during the month.
Asset allocation	+9bps	Although defensive versus our potential weight, we remained modestly overweight “credit” versus index levels. Stable spreads in IG and some ongoing tightening in high yield added to positive carry to boost performance.
Credit sector/ security selection:	+10bps	A strong month for bond and sector selection. WPP and Tereos were stand out performers on the back of decent results and rises in sugar price, respectively. Additionally, the majority of our investment grade holdings tightened against a stable backdrop.

Positioning recap and outlook

Total portfolio: Yield = 4.9% (% exc. futures), Duration = 6.3 years, ESG rating: A

Rates (weight = 33.5% (56.7% inc. futures), yield = 4.4%, duration = 5.4 years)

Positioning in sovereign bonds	Fund	Expected fund range	Index
	33% (51% inc. futures)	**30% - 40%**	**53%**
Investment perspectives	**Valuation** Very cheap for the long term investor. Shorter term, volatility remains elevated and momentum remains for higher yields.	**Fundamentals** Oil/inflation versus the rest. Growth, consumer, employment all subdued but are out of focus for all (wrongly).	**Technicals** Record shorts recorded mid-month. Consensus and momentum point to short-term higher yields but its getting crowded.

- Sovereign yields move to multi-decade highs.
- Macro data and outlook suggests that is wrong, but momentum wins short-term.
- We moved our duration baseline up but respect the market and aren’t aggressively long.

Contribution data and positioning information as of 28 August 2026. 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 = 47.8%, yield= 5.4%, duration = 4.7 years)
(HY: weight = 13.7%, yield= 6.4%, duration = 3.2 years)

Positioning in corporate bonds	Fund	Expected fund range	Index
	Investment grade: 48%	20% - 60%	19%*
	High yield: 14%	20% - 30%	0%
Investment perspectives	**Valuations.** Overall valuations remain tight but behind the headline numbers there is increasing divergence in sector performance. Some tech and private credit exposed names are cheap for their ratings.	**Fundamentals** Reflecting divergence in performance, whilst overall earnings growth remains strong, concerns over expanding balance sheets for AI investment remains.	**Technicals** Demand remains solid within US due to high all-in-yields but Europe is starting to see some outflow. Supply is expected to pick up again during the autumn months.

*"Pure" IG credit. Add in Std the index has 47%

- We increased our credit holdings slightly to take account of new issue discounts in some areas. A tactical call given we have already reduced our positioning ahead of a seasonally strong calendar.
- High yield performed strongly during the month as strong earnings boosted returns.
- Credit curves steepened during the month which also supported our performance.

Portfolio changes and where next

No massive changes for now. We had a good month playing the alpha and beta volatility with little need to take material index relative bets to generate performance.

If we assume (often folly) that risk is solid thanks to AI (likely folly) then we wouldn't add or subtract much from credit. Rates are a different matter, ignoring deteriorating economics and focusing solely on oil:

- Bull Case: Oil falls and AI myth exposed leading to a reversal and rates to be cut not hiked
- Bear Case: No end in sight, energy prices lead to secondary inflation and rates are hiked. A lot.
- Core Case: Momentum takes yields a little higher but total return may be positive based on alpha and income.

Our best estimate is that at some point the market flips to focus on weak growth ex AI and expects no hikes/cuts. Too soon to bet the ranch on that though.

Spotlight on an issuer bought and sold: Alphabet

- **Technicals:** Alphabet came to the market in August to issue $25bn. They have now issued across multiple currencies and are the main contributor to over $300bn in AI-related debt raised this year. The $90bn equity raise supported the balance sheet and Alphabet has ~$200bn debt capacity at current ratings but they will issue further to fund their ambitious capex plans.
- **Fundamentals:** Alphabet, along with the other hyperscalers, has continually increased capex plans whilst the most recent quarter saw FCF turn negative for the first time. The company has favoured the ownership model which has required larger upfront spend versus leasing AI infrastructure (Amazon has over $100bn in lease liabilities whereas Google has circa $20bn).
- **Valuation:** Alphabet had to pay up to entice investors into the new deal. Bonds had already underperformed and we estimated the new issue premium on offer was double digits. Investors had been slowly reducing their hyperscaler underweight. Despite being cautious on longer term hyperscaler fundamentals we saw this as a tactical opportunity to reduce our underweight. Spreads rallied and we viewed it as prudent to take profit.

Contribution data and positioning information as of 28 August 2026. Yield shown is yield to worst. Source: Nedgroup Investments

What to watch out for next month

Rates:

It's a tug of war between energy prices and the rest.

Rates markets are betting heavily on central banks hiking to curb general, medium-term inflation.

Strip out AI investment and growth looks patchy. Employment and consumer confidence across most of the G7 are weakening.

Watch that for signs of impact to central bank thinking (Note: Reserve Bank of New Zealand, often the first to spot a theme, downgraded growth forecasts in early September – bonds rallied, at a time when other markets were falling fast).

Credit:

Small outflows from European investment grade funds could mark the beginning of a change in technicals for the asset class.

US credit markets, however, have so far attracted flow as all-in-yields remain supportive. We will keep a close eye on whether outflows gain momentum.

In the meantime, we will continue to scour for opportunities in a market that is starting to reward stock pickers.

Fund performance (GBP)

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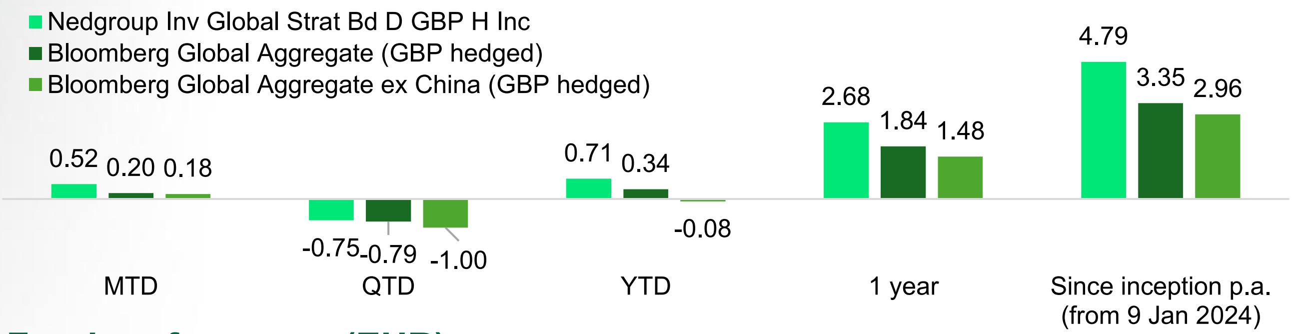
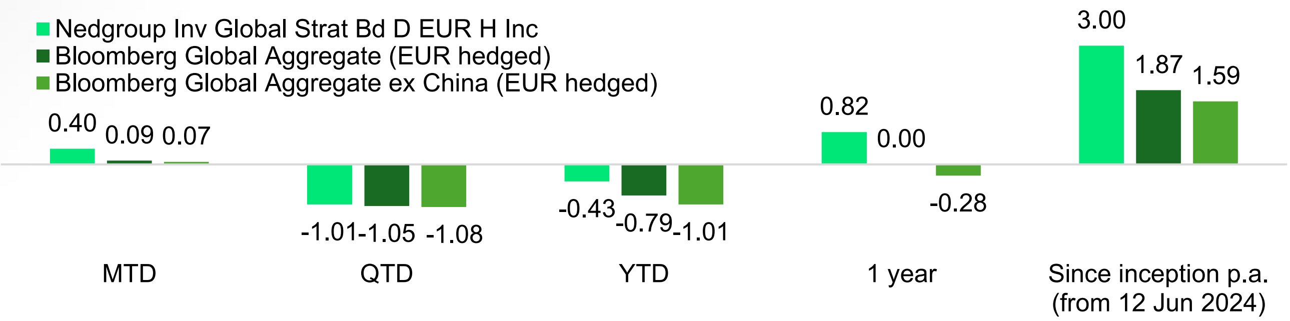


Fund performance (EUR)



Data as at 28 August 2026. Inception date of shareclass. Source: Morningstar. 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.

Contact us

Email: Clientsolutions@nedgroupinvestments.com

London: 7th Floor, 12 Arthur Street, EC4R 9AB, +44 (0) 7960 901396

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