Global Strategic Bond Fund

▶ Core. Nimble. Proven.

December 2025 Commentary

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

MARKETING COMMUNICATION

NEDGROUP INVESTMENTS

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.

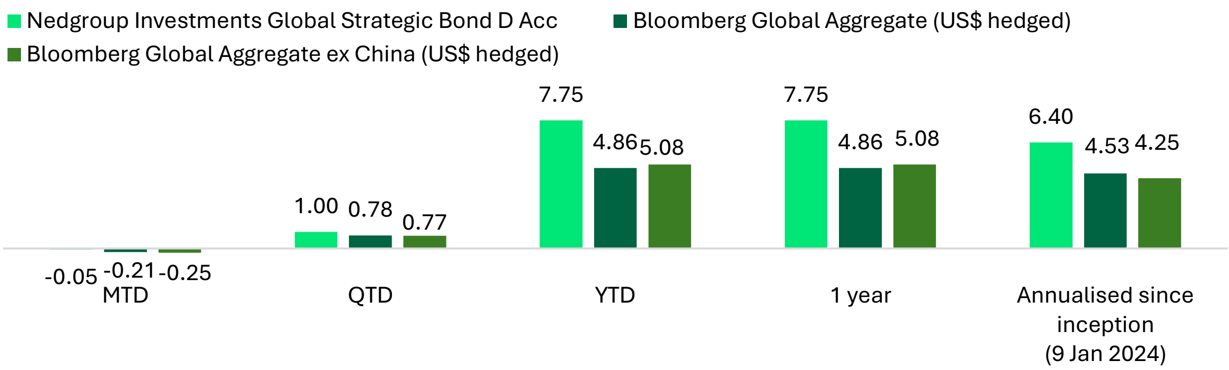
Performance and markets

Many eyes view 31st December as an all-important date to judge fund performance. Yet with some bond markets open and others closed over the year-end, it's always a relief to close December on a solid footing. Broadly speaking, capital values drifted lower and yields moved higher across much of the bond market, in what can best be described as a directionless period. Central banks continued to cut rates, though Japan moved cautiously in the opposite direction.

The lack of clear direction partly reflects a "wait and see" stance among investors; is this just a pause in Europe, Australia and Canada before more cuts are made or will G7 countries raise before the end of 2026? Irrespective of that, corporate credit again followed equities with total returns exceeding their underlying government bonds.

Fund performance

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



Data as at 31 December 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 -0.05%, Bloomberg Global Aggregate (US$ hedged), -0.21% and Bloomberg Global Aggregate ex China (US$ hedged), -0.25%.

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): +19bps		
Contribution		**Positioning comments**
Duration	0bps	• While the modest decline in capital values suggests being marginally short index duration added value, the more meaningful attribution came from our geographic and curve positioning.
Curve	+3bps	• A modest gain. We have a "box trade" in US and German 5-year v 30-year which moved from +3bps to +10bps on the month.
Geography	+4bps	• We remain underweight Japan. Gains there were largely offset from overweight in Australia and slight underweight in US
Asset allocation	+9bps	• Credit reversed the underperformance seen in November despite risk sentiment flip flopping on little volume. Santa rally, whilst subdued, did materialise with high yield outperforming investment grade into year end. Consequently, our temporary increased exposure to high yield paid off.
Credit sector/ security selection:	+3bps	• With little differentiation between geographies it came to sector performance with utilities once more being a strong contributor. Technology, again, underperformed on AI issuance concerns – we continue to maintain zero exposure. We had little exposure to other outperforming sectors such as life insurance.

Positioning recap and outlook

Total portfolio: Yield = 4.5% (% exc. futures), Duration = 6.0 years, ESG rating: A

Rates (weight = 31.4% (48% inc. futures), yield = 3.8%, duration = 4.6 years)

Positioning in sovereign bonds	Fund	Expected fund range	Index
	32% (48% inc. futures)	**30% - 40%**	**53%**
Investment perspectives	**Valuation** Slightly cheap relative to CPI expectation and should continue to offer nice total returns in 2026.	**Fundamentals** Mixed – Q3 numbers were skewed by tariff policies (US GDP a prime example), but CPI needs to fall, otherwise markets will be disappointed.	**Technicals** Lots of supply due and markets may make a short-term concession. Long dates look unloved, but skewed positioning could see a bounce.

- December was a dull month; yields, on aggregate, were firmly within recent ranges.
- Dispersion between markets continued - a theme we expect to continue into 2026.

Contribution data and positioning information as of 30 November 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 = 46.1%, yield= 4.8%, duration = 5.1 years)
(HY: weight = 19.0%, yield= 5.8%, duration = 3.7 years)

Positioning in corporate bonds	Fund	Expected fund range	Index
	Investment grade: 46%	**20% - 60%**	**19%***
	High yield: 19%	**20% - 30%**	**0%**
Investment perspectives	**Valuations** Credit remains expensive with spreads trading close to historic tights. Very little upside potential and expect more attractive entry points.	**Fundamentals** Decent fundamentals remain with strong margins but increasing M&A places increased value on effective stock selection.	**Technicals** Technicals remain decent due to positioning but there were some weeks of outflows in both IG and HY during December.

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

- Quiet month overall, more subdued than a typical December. On the back of a strong year for credit, investors stayed close to home with little change in positioning.
- Our dipping of toes into the much-maligned Chemical sector with the purchase of Celanese worked almost instantly. Position squaring ahead of year end lifted some bonds/sectors to the fund's benefit.

Portfolio changes and where next

We continue to run with interest rate and asset allocation positions similar to the end of Q3. Corporate bonds remain expensive. The fund retains a modest overweight, skewed to higher quality given the benign outlook for economic activity. That said, we added a little to our high yield allocation to increase carry over the holiday period.

Ideally, we see greater volatility in credit markets to take advantage of market turbulence - as we did in spring 2025. In the meantime, we continue to seek out individual opportunities and run the fund for carry.

Spotlight on an issuer sold: General Motors

- **Fundamentals:** GM outperformed expectations as tariff effects were less bad than feared. There was a pull forward for EV demand as subsidies rolled off and a deterioration in the labour market failed to materialise. Looking ahead, sales are expected to be flat-to-negative for 2026 and the renegotiation of USMCA tariff relief could cause some upset. Although, so far, the Trump administration has looked relatively favourably on the auto sector, as evidenced by the extension of the auto offset from 2 to 5 years.
- **Technicals:** Our overweight in autos in 2025 was against consensus and worked well. By year-end, technicals became more supportive as investors looked to remove auto related shorts.
- **Valuation:**. We purchased this GM bond at new issue in May, capturing an extra 35bps of spread by switching from a defensive 3-year bond into a 5-year bond, which more than compensated for the additional duration.

  Following the sector's strong outperformance post Liberation Day - including 70bps of spread tightening - we sold our GM bonds and moved our auto exposure to a more neutral position.

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

What to watch out for next month

Rates:	Credit:
Who will succeed Powell at the Fed? Will Japan shirk rate hiking responsibility? And will other EU buyers boycott long bonds if Dutch Pension Funds are no longer involved? Lots of uncertainty then, even before we consider geopolitics.	The first few days of January are typically strong for credit, as investors put money to work after the holidays. The big question this month is whether the market can cope with a deluge of supply given spreads are so tight. With government bond yields higher than they have been for a while – particularly in Europe – all in yields may just come to the rescue.

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