Global Strategic Bond Fund

NEDGROUP INVESTMENTS

▶ Core. Nimble. Proven.

January 2026 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

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

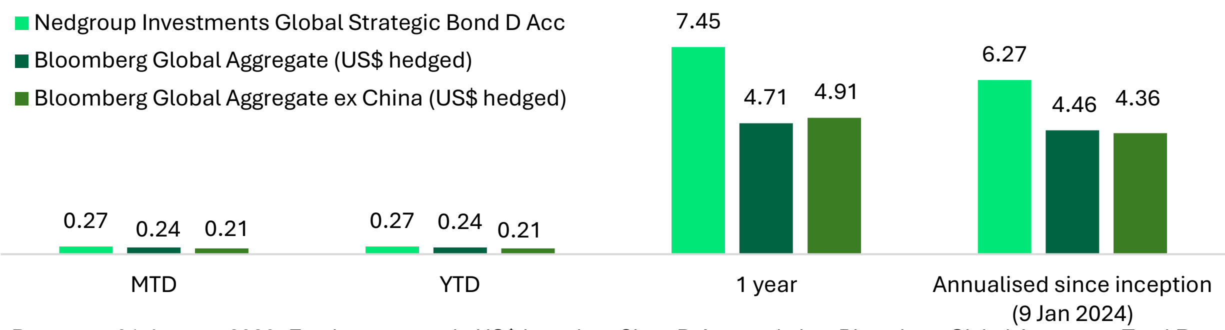
A strange old month. Overall, capital values in bondland fell a tad. That fall was offset by income, to leave total returns positive both for the market and more importantly for our fund. Combining the level of index returns with a modest after fees excess suggests that there was little volatility or opportunity. Not so.

We kept our core overweight in credit, which performed well, and we rotated our macro positioning – reducing some of our 2025 winners into new opportunities for the year ahead. Some of those have worked, others have yet to show their value.

The good news is that 2025's volatility appears to back with a vengeance. Perhaps not so good news if you find yourself on the wrong end of the geopolitical stick. Market manipulation is also alive and well – it never truly goes away – but politicians often leave the subtlety to their central bankers. No, not Japan. A needless plan to buy US $200bn mortgage-backed securities (MBS) is a reminder of the perils that vote-hungry politicians can bring to markets.

Fund performance

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



Data as at 31 January 2026. 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 0.27%, Bloomberg Global Aggregate (US$ hedged), 0.24% and Bloomberg Global Aggregate ex China (US$ hedged), 0.21%.

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): +6bps		
Contribution		**Positioning comments**
Duration	0bps	Overall interest rate risk was generally in line with index. Yields moved little hence return was in line with index return
Curve	-10bps	MBS purchases skewed the long end and meant the US curve flattened more than the EU one. No real sign of Dutch pension issues, so chances of flattening from here increase.
Geography	+2bps	Closed our long bonds in Canada and UK which worked versus a US underweight. Australia did fine, all things considered. We benefitted from an underweight in Japan but lost on lack of France and Italy (see asset allocation)
Asset allocation	+10bps	A surprisingly strong start for credit, not least IG. Index level compression of around 5bps and an overweight there more than offset zero weights to MBS, Italy and France (the three of which make up ~15% of the global bond index)
Credit sector/ security selection:	+4bps	Spread compression meant our positioning in hybrids and BBBs outperformed. We also had some decent individual names that outperformed: Tereos, United Group and Verizon - a few of the names that tightened significantly. Arqiva was a significant underperformer falling 4%.

Positioning recap and outlook

Total portfolio: Yield = 4.4% (% exc. futures), Duration = 6.1 years, ESG rating: A

Rates (weight = 32.9% (52.7% inc. futures), yield = 4.0%, duration = 5.4 years)

Positioning in sovereign bonds	Fund	Expected fund range	Index
	33% (53% inc. futures)	**30% - 40%**	**53%**
Investment perspectives	**Valuation** No change: Slightly cheap relative to CPI expectation and should continue to offer nice total return in 2026. Devil is in the local detail as monetary cycles diverge.	**Fundamentals** Again, little change. Nothing to see here! At a local level messed up by balance of payments (US gains, RoW loses) and bizarrely at the margin by bullion flows!	**Technicals** Markets worry we will see a deluge. Didn't happen too much in January. As the month ends, there is a reflation nervousness around. Unwarranted but can push prices lower short-term.

- volatility continued to decline, with core markets remaining in recent ranges
- all eyes are on the announcement of the next Fed chair
- economic conditions remain benign, politics though can rekindle volatility

Contribution data and positioning information as of 31 January 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 = 45.8%, yield= 4.8%, duration = 5.0 years)
(HY: weight = 15.5%, yield= 6.0%, duration = 3.8 years)

Positioning in corporate bonds	Fund	Expected fund range	Index
	Investment grade: 46%	**20% - 60%**	**19%***
	High yield: 16%	**20% - 30%**	**0%**
Investment perspectives	**Valuations** Trading at cyclical tights – IG spreads are at their tightest since 2007. No room for error.	**Fundamentals** Fundamentals remain decent but a pick up in M&A is evident.	**Technicals** Largest US supply on record for January did not weaken technicals due to massive demand. Poor technicals amongst lower rated high yield as investors turn cautious on possible knock-on effects of private credit.

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

- We spoke last month about dipping our toes into the chemical sector. The trade worked quickly and we have since taken profits on Celanese and have yet to see value in chasing other chemical names.
- Volatility amongst high yield has enabled us to pick up Goldstory – a French jewellery chain – at a decent yield. Guidance was cut due to elevated gold/silver prices but with €200 million of free cash flow and gold price hedging into 2027, we felt the bond fell too far.

Portfolio changes and where next

Our asset allocation within rates has not strayed too far from neutral given tight trading ranges but there remains dispersion across the G7 as Japan and Australia look to raise rates, and the US and the UK will cut at least once more. Tactical opportunities will be created as macro headline volatility continues and we remain comfortable with strategic positioning.

With credit spreads reaching levels not seen since 2007, we used further spread compression to cut our credit holdings by 4% and take down our corporate hybrid exposure. Subordinated financials and corporate hybrids now make up just 7% of the fund - the lowest since fund launch. On the flipside, we are seeing a market which punishes idiosyncratic stories amongst lower rated high yield, creating opportunities for credit selection to add value.

Spotlight on an issuer sold: Takko Fashion

- Takko is a German discount fashion retailer with stores across 17 European countries and approximately 9% market share in Germany which generates two thirds of the group's revenue.
- **Fundamentals:** Takko has made significant progress since its restructuring in 2023. Gross margins have expanded due to improved purchasing and markdowns. This has boosted earnings and enabled the company to repay debt. The financial profile is significantly more attractive now but room for further improvement has reduced. The German market remains highly competitive and the lack of e-commerce presence could start to hinder its competitive positioning.
- **Technicals:** The bonds were priced cheap at new issue to entice investors given the backdrop of the restructuring. We purchased given the perceived mispricing and have benefited from the performance since.
- **Valuation:**. Higher beta names have performed, and Takko is no exception. Spreads have rallied to new tights and cyclical risk premium is now extremely limited. The bond has been a significant outperformer with double digit returns and we were happy to take profits as part of a broader risk reduction in the portfolio.

Contribution data and positioning information as of 31 January 2026. Yield shown is yield to worst. Source: Nedgroup Investments

What to watch out for next month

Rates:	Credit:
Is Kevin Warch a hawk or a dove? So far, the jury is out. Will Thom Tillis (Thom who?!) block his appointment? Will Japan go on a spending splurge post election and if so, will the BOJ be forced to intervene? And if as expected, Australia raises rates, who in the G10 will be next? Or will investors realise Oz CPI increase was almost all down to an ending of power subsidies? Time will tell.	The rumblings on software exposure by BDC's (private credit) have gained momentum. There appears to be some impact on lower rated high yield credit. We will have to watch out for any further contagion across public credit markets in general. Record issuance has not dampened credit markets appetite for investment grade but will a pick up in equity and rates volatility impact demand?

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Risks and fees are outlined in the relevant Sub-Fund supplement.

Prices are published on the Investment Manager's website.

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