Global Strategic Bond Fund

▶ Core. Nimble. Proven.

NEDGROUP INVESTMENTS

July 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

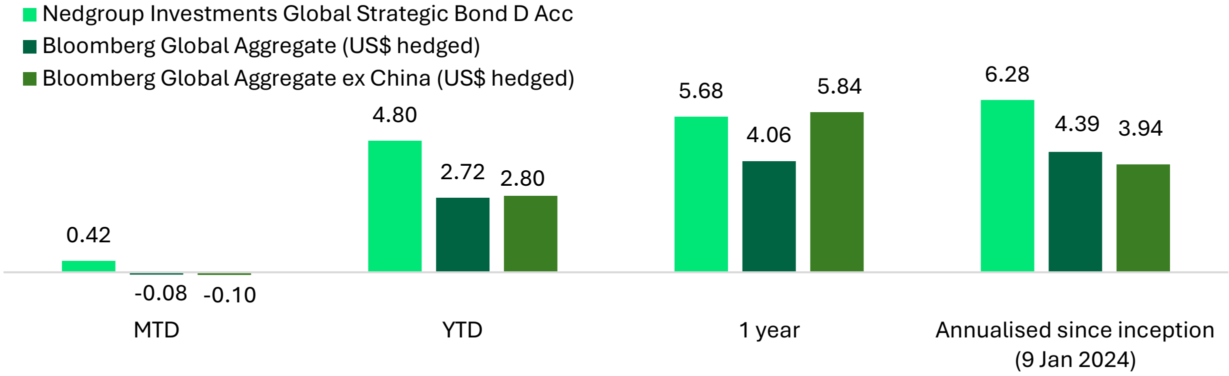
July was one of those rare months that neatly encapsulated the state of markets—and our investment philosophy. Bonds remained "whippy," with the global index ending broadly flat. A modest capital loss was offset by income, and that sort of environment suits our style: small, selective positions that limit risk while exploiting headline noise. And indeed, there's been no shortage of noise.

The standout feature was credit resilience. We continue to believe in the enduring power of carry through the cycle. That extra yield from quality credit is worth having. July, historically one of the strongest months for credit, held true to form in 2025. However, markets are becoming increasingly expensive—risk assets remain in high demand.

As you know, we steer clear of the lower-quality end of the spectrum. Even within investment grade, we've grown more circumspect. Selectivity matters now more than ever, as valuations stretch and fundamentals begin to reassert.

Fund performance

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



Data as at 31 July 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 0.42%, Bloomberg Global Aggregate (US$ hedged), -0.08% and Bloomberg Global Aggregate ex China (US$ hedged), -0.10%.

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): +52bps		
Contribution		**Positioning comments**
Duration	+10bps	• Yields rose roughly 10bp in core sovereigns, translating to a 1% price decline. However, carry and credit resilience kept index returns near flat. Value was added by tactically trading within well-established ranges.
Curve	+5bps	• Yield curves were largely unchanged over the month. • As with duration, we traded within ranges, selling US and EU 5/30 curves close to 100bps and buying back lower.
Geography	+5bps	• Gains from being underweight Japan and overweight New Zealand were offset by lack of Italy (which we view more as a credit position). • Being long EU credit helped as it outperformed other markets.
Asset allocation	+20bps	• Adjusting for peripheral EU, China and MBS, we were overweight credit relative to the index, with an additional 16% in high yield. • Credit outperformed by around 75bps plus carry (20bps).
Credit sector/ security selection:	+12bps	• Europe outperformed with spreads now trading through the US. • Results have been robust, helped in part by the removal of formal guidance earlier in the year. However, sector dispersion remains evident, with tariff-affected sectors underperforming. Underweight positioning in telcos/utilities proved beneficial.

Positioning recap and outlook

Total portfolio: Yield = 5.0% (% exc. futures), Duration = 6.4 years, ESG rating: A

Rates (weight = 32.6% (47% inc. futures), yield = 4.3%, duration = 5.6 years)

Positioning in sovereign bonds	Fund	Expected fund range	Index
	32.6% (47% inc. futures)	**30% - 40%**	**53%**
Investment perspectives	**Valuation** Little change - yields are well above inflation. Short term opportunities abound to capture excess return.	**Fundamentals** Still nothing to scare the horses. Tariffs and headline noise aside, the underlying tone remains steady. And even that noise may prove short-lived.	**Technicals** Rumours of changes to US funding proved unfounded. Meanwhile, a seasonal dip in credit supply is lending a boost to performance.

- Yields are volatile but increasingly range bound – more so that we saw through Q2.
- No urgency from the G3 central banks to move rates.
- For now, the macroeconomic outlook looks "benign“.

Contribution data and positioning information as of 31 July 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 = 48.0%, yield= 5.3%, duration = 4.9 years)
(HY: weight = 16.3%, yield= 6.3%, duration = 2.6 years)

Positioning in corporate bonds	Fund	Expected fund range	Index
	Investment grade: 48%	**20% - 60%**	**19%***
	High yield: 16.3%	**20% - 30%**	**0%**
Investment perspectives	**Valuations** Credit is as expensive as it has been post GFC within IG. In HY, we saw tighter spreads in Feb but are now not too far off those levels so we are cautious as a result.	**Fundamentals** We could see some payback from the pull-forward of results but balance sheets are healthy. Companies have successfully refinanced and there is scope for cash flows to be strong as pricing power proves to be encouraging.	**Technicals** More of the same with record inflows in both IG and HY. Yield buyers remain in play whilst issuance has slowed down and will pick back up by September.

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

- With valuations are stretched, we are increasingly comfortable in our defensive positioning. Spreads do not compensate for either cyclical risk or duration.
- The US credit market has a significant structural advantage given it is 2.5x the size of the EU market and this will limit the de-dollarisation impact on credit. However, there is an increasing trend to reverse Yankee issuance and global EU corporates which will support the EU technicals.

Portfolio changes and where next

July delivered broadly as expected. We generated a positive return, particularly in a month when the index didn't—underscoring the value that active management can unlock, even in a subdued market environment. There is always the proverbial black swan, however economic fundamentals appear stable for now.

Our preferred position versus the index is to be overweight corporate debt. We said we wouldn't chase it. We didn't but allowed allocation to drift higher to capture seasonal norms. As we move into August, we are already trimming that exposure.

Spotlight on an issuer sold: Stellantis

Valuation: We bought Stellantis bonds at new issue, as spreads compensated for the sector's challenged outlook. More recently spreads, had traded back inside pre-Liberation Day levels. Following weak results, the muted market reaction provided a timely opportunity to exit, having captured decent carry. The bonds now trade in line with peers like GM and VW, both of which exhibit stronger operating momentum.

Fundamentals: After a punishing 2024 that saw nearly €6bn in cash burn, we entered 2025 hoping to see improvement. Instead, the deterioration deepened. Market share continues to slip and margins remain under pressure. Tariffs are the least of Stellantis' problems. The cash flow profile increasingly looks incompatible with a BBB rating and the company will be reliant on significant liquidity. Unless we see credible margin recovery and stabilisation in volumes, the rating looks vulnerable.

Technicals: Investors' underweight positioning in autos has reduced in recent months, contributing to spread compression across the sector. With that technical tailwind now fading, it adds to our rationale for exiting Stellantis – valuation no longer compensated for the underlying risks.

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

What to watch out for next month

Rates:	**Credit:**
More of the same. Ranges continue to narrow, yet dispersion across markets still offers more compelling risk-adjusted opportunities than chasing big directional moves. Most central banks are on summer break—except the MPC, of course. And there's the Jackson Hole set piece, with Powell in the spotlight. Assuming he makes it that far!	As the positive supply side technical comes to an end, we will keep a close eye on fund flows which can limit the extent to which spreads widen. In the meantime, spreads at their tights are vulnerable to macro weakness and any correction may provide an opportunity to reassess positioning.

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MONTHLY PORTFOLIO UPDATE

NEDGROUP INVESTMENTS

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