Global Strategic Bond Fund

▶ Core. Nimble. Proven.

July 2026 Commentary, Marketing Communication

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

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
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

Markets have settled into a pattern. Risk assets, whether equities or corporate bonds, continue to plod along, hitting new highs or spread tights. They remain focused on earnings and investment, largely ignoring macroeconomics and politics, although spreads did drift slightly wider over the month. Government bonds, on the other hand, have been on a bit of a rollercoaster ride, with month-end coinciding with multi-year yield highs for many instruments.

We'd love to offer some great, unique insight. Sadly, the reasons are simple and widely reported: energy prices continue to fuel inflation concerns, leading investors to avoid government debt, while all-in yields have kept demand for corporate bonds strong as healthy balance sheets contrast with deteriorating G7 public finances.

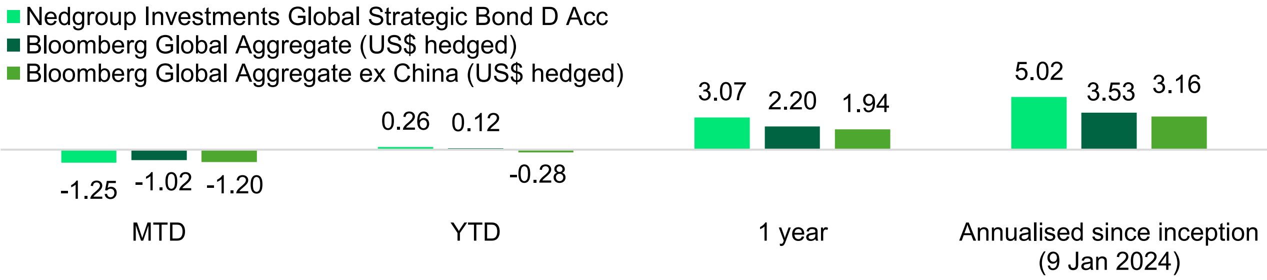
Trying to find some subtlety, US bonds fared poorly, more in response to Fed Chair Warsh's failure to provide forward guidance than any significant pickup in macroeconomic activity. Long-dated Japanese bonds performed well, helped by intervention speculation and rising expectations that the BOJ would continue hiking rates.

For credit? Avoid hyperscalers, buy almost anything else, and you'd have done reasonably well. However, telecoms underperformed, and high yield spreads widened across both the US and Europe.

Overall, rising yields resulted in weak total returns. Our duration positioning helped but our asset allocation offset this, leaving us modestly behind the index for the month.

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 31 July 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 -1.25%, Bloomberg Global Aggregate (US$ hedged), -1.02% and Bloomberg Global Aggregate ex China (US$ hedged), -1.20%.

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): -6bps		
Contribution		**Positioning comments**
Duration	+3bps	We added some interest rate risk, moving long and then reducing when oil fell mid- month. This was offset by our underweight position in Japan, which impacted performance (see below).
Curve	+2bps	We added to shorter maturities. Curves generally steepened, adding a few basis points. Neither our position sizes nor market moves were material.
Geography	-6bps	Japan was the winner of the least ugly contest. We remained underweight. Likewise UK and Canada did well relative to the US – wrong way round for us. On the flip side, no Italy nor France and an overweight in Germany worked well.
Asset allocation	-5bps	EU spreads outperformed US, and curves steepened which we benefitted from. As noted earlier, credit proved more resilient than expected but still it drifted. We owned no muni bonds, no direct AI exposure (except one Amazon bond). That offset much of our overweight in core credit.
Credit sector/ security selection:	0bps	Higher beta telco names got caught up in the weak sentiment surrounding the VMED cap stack, our holdings in Ziggo and United Group lagged. We are comfortable with the Ziggo credit story and holding the senior secured bonds. Elsewhere, moves were immaterial but we marginally outperformed index level spreads and benefited from a higher weighting to utilities.

Positioning recap and outlook

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

Rates (weight = 33.3% (56.7% inc. futures), yield = 4.4%, duration = 5.6 years)

Positioning in sovereign bonds	Fund	Expected fund range	Index
	33% (57% inc. futures)	**30% - 40%**	**53%**
Investment perspectives	**Valuation** Very cheap for the long term investor. Shorter term, volatility remains elevated (see technicals for impact)	**Fundamentals** Pass through from higher energy has been modest. G7 CPI generally was well behaved. Supportive.	**Technicals** Theres plenty of cash on the sidelines. Despite inflation busting yields many refuse to commit fearing a 1970s style inflation spike.

- Sovereign yields reached multi-decade highs.
- The macro data and outlook suggest that is hard to justify.
- We added duration but expect volatility to continue.

Contribution data and positioning information as of 31 July 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 = 46.7%, yield= 5.4%, duration = 4.7 years)
(HY: weight = 13.6%, yield= 6.7%, duration = 3.3 years)

Positioning in corporate bonds	Fund	Expected fund range	Index
	Investment grade: 47%	**20% - 60%**	**19%***
	High yield: 14%	**20% - 30%**	**0%**
Investment perspectives	**Valuations.** Little change. The valuation picture remains stretched. Volatility picked up, but remains well below a 5 year average. Nothing to see here.	**Fundamentals** Earnings growth is the strongest in several years and guidance trends generally remain constructive. Hyperscalers continued to increase capex and lease commitments.	**Technicals** In the US, tech supply was the highest share ever of total monthly issuance at 34%. Supply should ease from here, a trend that had already kicked off in Europe.

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

- European spreads marginally outperformed supported by lower supply and lower hyperscaler concentration.
- Oil rebounded and our energy names outperformed while banks lagged despite delivering strong earnings.
- The potential for outflows typically increases when total returns turn negative, although for now, flows have remained resilient so far.

Portfolio changes and where next

We moved our duration view from "short to neutral" to "neutral to long". Value improved. What that means is the duration range is now likely to be 6-6.5 years rather than 5.5-6 years we targeted previously. Otherwise, it's more of the same: seeking to exploit market volatility rather than making overly committed calls amid ongoing uncertainty. Longer term bonds are a buy. Shorter term, we understand investor unwillingness to commit.

July provided an opportunity to further reduce our bias towards European credit which we have held since we launched the fund. This month we switched 4% of the portfolio into US dollars, and now only have a marginal euro overweight. At the index level, US spreads materially underperformed through the middle of the month – this was primarily a function of the hyperscaler supply but also elevated rates volatility following the Fed meeting.

We switched our euro-denominated Amazon bond into the new dollar issue, whilst also took advantage of new issue premium on offer from JP Morgan and Morgan Stanley. We continue to be selective and will rotate holdings where value dictates but ultimately that is scarce at the moment.

Spotlight on an issuer bought: AT&T

- AT&T is a US-listed telecommunications company that provides wireless, broadband and business connectivity services to consumers and enterprises.
- **Valuation:** AT&T bonds, both euro and dollar denominated, were caught up in the recent US tech underperformance with spreads widened by around 25bps since the start of June. The company's recent issuance of just under €5bn bonds came with what we estimated a double digit new issue premium. Together with the spread widening, this left valuations looking attractive.
- **Fundamentals:** Ahead of issuing the bonds, AT&T reported Q2 2026 results which continued the trend of delivering ahead of expectations EBITDA and free cash flow growth. Additionally, they registered record fibre and fixed wireless net additions and achieved the highest consumer postpaid growth in more than three years. Strong operating momentum should support further deleveraging following the completion of the $23bn Echostar spectrum deal at the end of July.
- **Technicals:** Reverse Yankee issuance declined in Q2 after a record Q1. AT&T were the first reverse-Yankee issuer in Q3. US companies have been keen to issue in euros as, once swapped back into dollars, funding costs have become less expensive. However, with ~$150bn in net debt, AT&T's primary objective is to maintain diversified funding sources. Currently, about 25% of their debt is issued outside of US dollars and this transaction addresses around half their funding requirements for the next 12 months. We expect them to come back to the dollar market later this year or in early 2027.

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

What to watch out for next month

Rates:

It's still all about oil. At month end, WTI had risen nearly 20% on the month, albeit away from the highs seen earlier.

Macro data and central banks play a part but for now the direction of oil will not only determine when bonds start to rally but also support higher prices.

It certainly feels right to be adding bond risk here. That's no guarantee of positive returns but inflation expectation needs to get really ugly to see negative total returns over the medium term.

Credit:

The ability of credit to remain low beta to macro data whilst continuing to grind tighter looks increasingly fragile given growing signs of fatigue.

Technicals in Europe were more favourable in July, and August volumes are typically lower but year-to-date volumes are at record levels and further AI-related borrowing could lead to saturation and stall demand from the yield buyer.

History rarely repeats itself, but it often rhymes and recent intervention in Japan could spill over to the credit markets, as it did this time two years ago.

Fund performance (GBP)

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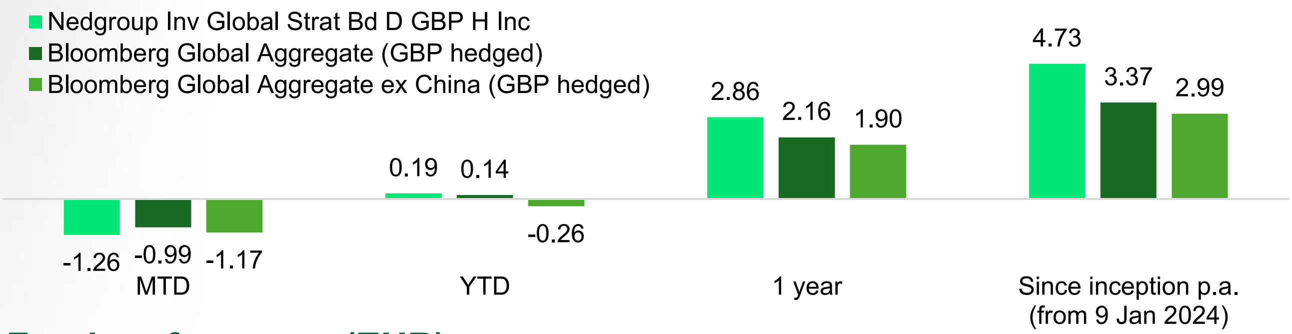
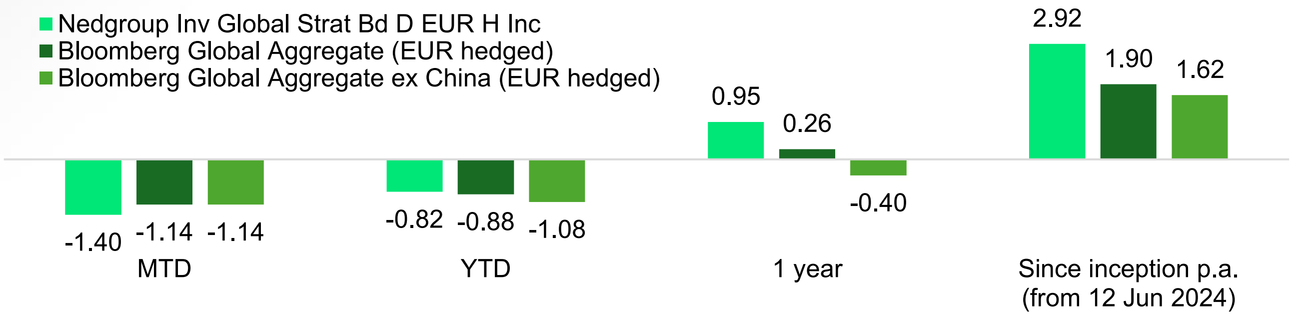


Fund performance (EUR)



Data as at 31 July 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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The price of shares may go down or up depending on fluctuations in financial markets outside of the control of the Investment Manager meaning an investor may not get back the amount invested.

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

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

Prices are published on the Investment Manager’s website.

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Germany: The Fund’s Facilities agent in Germany is Acolin Europe AG, with the registered office at Line-Eid-Strasse 6, 78467 Konstanz. The Prospectus (in English) and the PRIIPS KID (in German), may be obtained free of charge at the registered office of the Facilities agent, or electronically by Email via facilityagent@acolin.com, or by using the contact form at https://acolin.com/services/facilities-agency-services.

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