Global Strategic Bond Fund

NEDGROUP INVESTMENTS

▶ Core. Nimble. Proven.

March 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

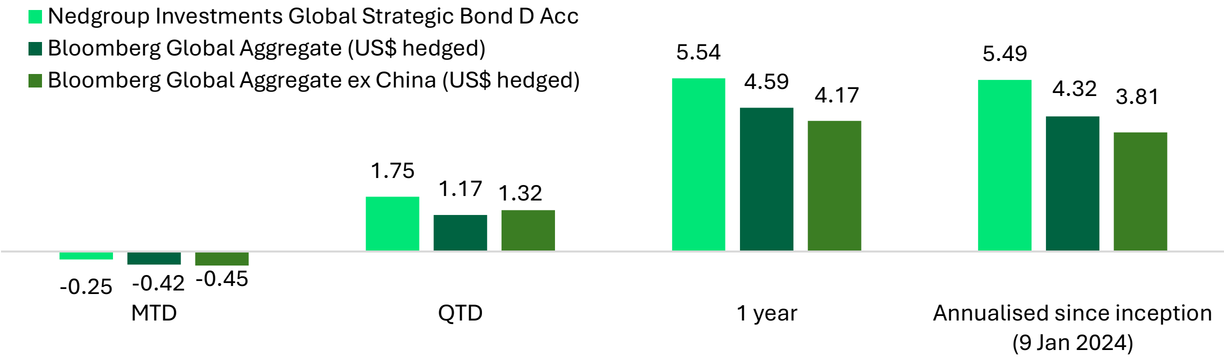
Volatility is the lifeblood of an active investment manager. The key, of course, lies in navigating it effectively.

Recognising that the only certainty associated with President Trump was uncertainty, we kept things closer to home and took the opportunity to increase our Gilts exposure, de-risked further and successfully bought and sold into the volatility. Within credit, we began the month by continuing to cut credit risk, predominately selling down our BBB exposure.

Our interest rate curve positioning – protecting short bonds while minimising exposure to higher risk long ones – meant we outperformed in a falling market, however, in absolute terms, the result was negative.

Fund performance

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



Data as at 31 Mar 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 -0.25%, Bloomberg Global Aggregate (US$ hedged), -0.42% and Bloomberg Global Aggregate ex China (US$ hedged), -0.45%.

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): +20bps		
Contribution		**Positioning comments**
Duration	+5bps	• Very geography-specific. Overall index returns were a small negative and we were marginally short. We successfully traded tactically as value moved around a lot.
Curve	+20bps	• The German curve steepened by 20bp and US by 15 on the month. We had on average 1.5 years of this position.
Geography	+5bps	• We were long the best performing US market but much of that was offset by a small long in Germany which fared worse than our major underweight, Japan.
Asset allocation	-15 bps	• European IG spreads widened by around 5bps over the month, while high yield increased around 40bps wider. Once again, US (9bps) and sterling (11bps) investment grade bonds underperformed. Despite taking some profits the previous month, our geographic exposure remained heavily weighted to Europe.
Credit sector/ security selection:	+5 bps	• Real Estate, insurance and banks underperformed. We have little exposure to the former and are defensively positioned in the latter. We also made money from new issue participation.

Positioning recap and outlook

Total portfolio: Yield = 5.2% (% exc. futures), Duration = 5.8 years, ESG rating: AA

Rates (weight = 38.2% (55% inc. futures), yield = 4.2%, duration = 2.5 years)

Positioning in sovereign bonds	Fund	Expected fund range	Index
	33.2% (61% inc. futures)	**30% - 40%**	**53%**
Investment perspectives	**Valuations[3]** German bonds have cheapened for good reason. US are more expensive.	**Fundamentals** The global economy was slowing pre-Trump. His plans are killing confidence to spend.	**Technicals** As Q1 ebbed we wait for “Liberation Day”. Demand for safety is high. That may not last.

- The market is bifurcated thanks to Trump policy.
- We prefer to be neutral by geography and duration to global benchmarks.
- We continue to take advantage of interest rate curve “flatness”.

Contribution data and positioning information as of 31 Mar 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 = 47.5%, yield= 5.29%, duration = 4.83 years)
(HY: weight = 16.1%, yield= 6.65%, duration = 2.49 years)

Positioning in corporate bonds	Fund	Expected fund range	Index
	Investment grade: 47.5%	**20% - 60%**	**19%***
	High yield: 16.1%	**20% - 30%**	**0%**
Investment perspectives	**Valuations** Credit widened over the month but still only reflect a slim chance of recession. A long way to go before the asset class is cheap.	**Fundamentals** Little sign yet of stress from companies with publicly-listed debt. Results are decent but CEO's are getting more cautious. Some signs of stress in US smaller companies bank debt.	**Technicals** Still decent demand within IG but outflows picked up within high yield after market weakness.

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

- US credit continues to underperform European as uncertainty over US trade policies weighs heavily on sentiment; US high yield spreads widened 68bps - the largest since 2022 when rate hikes were driving recessionary fears. However, levels are still not pricing in a significant slowdown.
- There were opportunities to take advantage of volatility in the new issue market as decent discounts were being offered for the first time in a while.

Portfolio changes and where next

We cut credit risk in February and continued during the first two weeks or March That proved the correct strategy. We would only add back if value improves or we see more clarity in economic policy. Ideally, we see both to drive a shift back in our positioning.

In rates, it's a similar story. We don't have huge (ex Japan) geographic mismatches. There are enough smaller less directional cross-market trades for us to add value. However, Germany looks increasingly cheap relative to the US and we may tilt in that direction now that yields are at decade highs.

Spotlight on an issuer bought: Investor AB (INVSA)

Investor AB, a Swedish investment company that actively manages a diverse portfolio of listed and unlisted investments.

- **Fundamentals:** The Company has a defensive portfolio with a tilt to best in class Industrial and Healthcare companies such as Astrazenca, ABB and Molnlycke which have a strong track record of delivering cash through the cycle.
- **Valuation:** We invested at new issue where the spread on offer allowed us to switch from a BBB+ rated Chemicals holding into AA- rated INVSA without giving up spread, whilst also gaining some new issue concession on the current curve.
- **Technicals:** At the index level, spreads have widened 5bps since the INVSA priced as part of the risk-off move. INVSA has actually outperformed, because of its defensive characteristics as investors have looked to increase holdings of higher quality names through putting on decompression trades.

What to watch out for next month

Rates:	Credit:
Will French bonds take a kicking? Can Germany regain it's risk free lustre? And what will April 2nd bring beyond more volatility?	Can credit stabilise after the widening? So far, its just a little froth taken out the market. We would like to see further weakness to substantially change our beta allocation.

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

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