

Global Strategic Bond Fund



► Core. Nimble. Proven.

October 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

It was a funny old month. Index-relative returns were positive – which is always welcome – and even better, bond market total returns stayed in the green.

The first half of the month saw yields fall and prices climb to the highest levels of the year. But that moment faded as month-end approached, leaving behind a bit of an "if only" feeling.

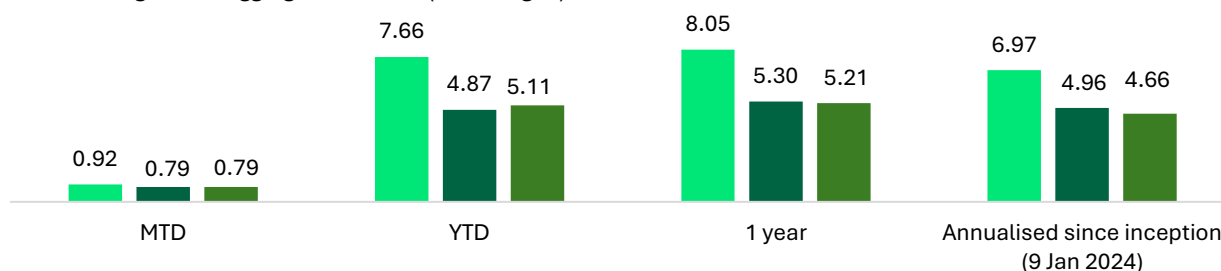
The US market saw the sharpest retreat, despite the government shutdown. As we said, a funny old month.

Thankfully, corporate bonds kept plodding along. Our overweight position in UK and German government bonds, combined with an underweight in the US helped eke out a few more pennies. This is precisely the kind of outcome investors should expect from our active, core bond market approach.

Fund performance

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

■ Nedgroup Investments Global Strategic Bond D Acc ■ Bloomberg Global Aggregate (US\$ hedged)
■ Bloomberg Global Aggregate ex China (US\$ hedged)



Data as at 31 October 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 0.92%, Bloomberg Global Aggregate (US\$ hedged), 0.79% and Bloomberg Global Aggregate ex China (US\$ hedged), 0.79%.

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): +13bps			
Contribution		Positioning comments	
Duration	-10bps	<ul style="list-style-type: none"> Strictly speaking, duration positioning was off – we held less duration than the benchmark. That said, our focus was in the right areas. See geography below. 	
Curve	-2ps	<ul style="list-style-type: none"> We made meaningful gains from our curve steepening earlier this year. However, those gains have partially reversed as the curve flattened. Although we have significantly reduced positioning, it has still been a modest drag to performance. 	
Geography	+12bps	<ul style="list-style-type: none"> Underweight US and Japan, overweight UK and Germany, plus selling and buying back Australia, all contributed positively. 	
Asset allocation	+10bps	<ul style="list-style-type: none"> European IG credit outperformed US IG significantly as spreads tightened 2bps whilst US spreads widened 4bps. A new Meta deal in the final week of the month weighed on the US market, raising concerns over AI overspend. Meanwhile, European issuance was less than expected generating a decent technical in the region. 	
Credit sector/ security selection:	+3bps	<ul style="list-style-type: none"> Lower rated high yield underperformed on the month which helped our relative performance. With under 5% allocated to single B's we avoided the worst of it. Utilities were the best performing sector in October and we maintain our OW. 	

Positioning recap and outlook

Total portfolio: Yield = 4.6% (% exc. futures), Duration = 6.0 years, ESG rating: A

Rates (weight = 34.0% (53.7% inc. futures), yield = 4.0%, duration = 5.2 years)

Positioning in sovereign bonds	Fund	Expected fund range	Index
	34% (54% inc. futures)	30% - 40%	53%
Investment perspectives	Valuation Most markets close to fair value and in balance. Expect returns to be mostly be from income	Fundamentals Lacking US data as government shutdown continues; Elsewhere mixed signalling.	Technicals Investors have been underweight UK, now close. No Commodity Futures Trading Commission (CFTC) data from US.

- US government shutdown continues but that does not help US Treasuries which sold off mid-month.
- The US cut, Canada cut - bonds fell. The ECB held - Bunds outperformed; Textbook stuff.

Contribution data and positioning information as of 31 October 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 = 47.4%, yield= 4.8%, duration = 5.0 years)
(HY: weight = 16.3%, yield= 6.1%, duration = 3.4 years)

Positioning in corporate bonds	Fund	Expected fund range	Index
	Investment grade: 47%	20% - 60%	19%*
	High yield: 16%	20% - 30%	0%
Investment perspectives	Valuations Spreads tightened in Europe but widened in the US. Lower rated high yield widened, Single B's underperformed BB's by 30bps. However, valuations are still near cyclical highs and not enough to change strategy.	Fundamentals Results were better than expected amongst financials and corporates on the whole. Large Auto names, GM and Ford, all recorded decent results which supported our positioning in the sector.	Technicals Decent technicals in the market as inflows continue at pace and supply lower than expected. Order books are strong, pushing new issues to offer little or no discounts.

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

- Lower rated credit continues to suffer fall-out from concerns over private lending.
- Within public markets, we do see manageable levels of distressed debt and no maturity wall prior to 2028. Whilst liquidity remains plentiful across both public and private markets at present, the red flag would be a change in dynamics due to a fall out from private markets.

Portfolio changes and where next

We closed October with portfolio duration just above 6 years, having added as US yields move back above 4%, dragging other G20 bonds along with them. The market is lacking direction overall and we continue to prefer cross market themes and curve positioning rather than making aggressive directional bets. That approach has worked well so far this year.

The same holds true in credit as it does in rates. Valuations look stretched and although we see a flotilla of black swans on the horizon, none - in isolation - appear capable of derailing the AI/bank earnings-driven global wealth effect. Consumers continue to tick along, boosting corporate earnings and inflation-fuelled margins. As long as that remains the case and the bubble doesn't burst, credit seems OK.

Only the foolhardy would chase credit at these levels and we certainly prefer to reduce than add. It doesn't take a genius or a team of 100 analysts to work out that another "Liberation Day" moment could come out of left field. And risk assets? They're nowhere near pricing that in.

Spotlight on an issuer: B&M

B&M is a discount retailer of merchandise and groceries in the UK and France. Operating performance has suffered and an isolated accounting error provided a catalyst to purchase.

Fundamentals: At the start of the year, B&M guided to full year EBITDA of £635m. By mid-October, this figure had been cut to £495m following consecutive downgrades - initially on weak trading, then a further £40m off the back of a system error which failed to correctly account for shipping costs. Despite these setbacks, the new CEO has implemented a clear plan to address issues which have plagued the company over the last 18 months.

Valuation: The bonds initially underperformed due to weak operating performance, then moved another leg lower following the accounting error. Despite this, the Company continues to generate cash and maintains a leverage target below 1.5x which can be supported through reducing dividends, if needed. The bonds have a decent coupon and trading levels provided an attractive entry with a more favourable risk reward backdrop.

Technicals: There is potential for ratings agency action with both S&P and Moody's placing the issuer on review for downgrade. That risk is largely priced in, and current technicals suggest there's sufficient compensation for execution risk tied to the turnaround strategy.

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

What to watch out for next month

Rates:

Will the curve keep flattening in the US? Will the market get any meaningful data from Uncle Sam? Will cross market opportunities continue to be as prevalent as they have been. No, no and yes.

Bitcoin and gold seem to be retreating. The US dollar is rising. That's an unusual combination.

"Heightened uncertainty" probably sums it up. Look at Australia. In the space of a week, markets moved from pricing rate cuts to looking for hikes.

Got to love it.

Credit:

Markets await further results over November but nothing that should derail the decent earnings season so far.

We expect issuance to pick up and wait to see whether this contributes to what is a traditionally, seasonally weak month.

Private credit concerns are impacting lower rated names. It's currently slow moving but we continue to monitor for further signs of stress.

Contact us

Email: Clientsolutions@nedgroupinvestments.com

London: 7th Floor, 12 Arthur Street, EC4R 9AB, +44 (0) 7960 901396

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