Global Strategic Bond Fund

NEDGROUP INVESTMENTS

▶ Core. Nimble. Proven.

October 2026 Commentary, Marketing Communication

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

Class D Inc EUR hedged: IE0009J3J172

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

If your bond fund fell in value during October, it isn't a core bond fund. Irrespective of name or sector.

Core bonds spectacularly decoupled from riskier assets, with G7 sovereign and investment grade assets posting positive returns in a month when the Nasdaq dropped around 8%. In a month where oil rose close to 10%. Lower quality high yield and tech-related bonds were worst hit. Along with France.

For the month, the fund's absolute returns were the highest since launch. That contrasted with the worst month for excess returns in euro and sterling high yield since 2022 and a general widening of investment grade spreads.

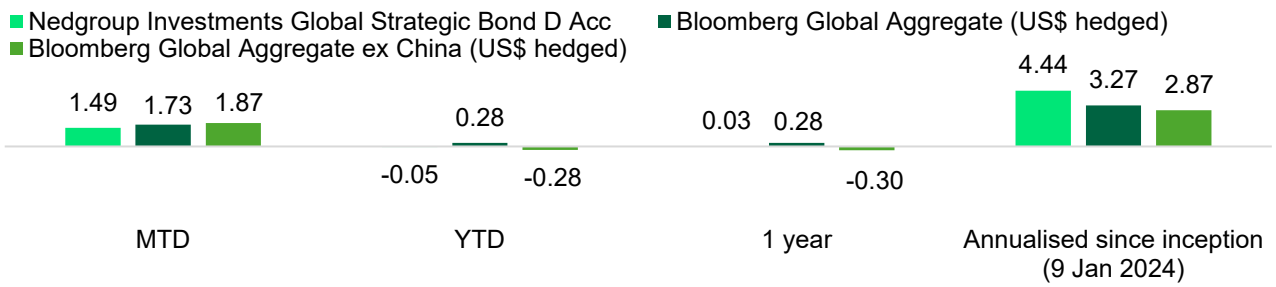
We had cut high yield to less than 10% of the fund, while our investment grade exposure remained focused on senior, shorter maturities. In line with our mandate, we were still overweight credit versus the global index, but materially less so than our normal target weights. In high yield we'd normally guide to a minimum of 20%, but poor value and liquidity made reducing exposure an easy decision.

For the remainder of the year, sovereign and corporate bonds would benefit from falling energy prices. Sovereigns will continue to rally should the AI wobble turn into full-blown panic although in such circumstance corporates would likely struggle. As with equities though, we might just see a proper decoupling of AI/tech related names and "the rest".

If that wasn't enough, we have French politics to consider. And US midterms of course.

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 October 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.

MONTHLY PORTFOLIO UPDATE

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Key return drivers

Over the month, the fund returned 1.49%, Bloomberg Global Aggregate ex China (US$ hedged) 1.87% and Bloomberg Global Aggregate (US$ hedged), 1.73%

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): -38bps		
Contribution		**Positioning comments**
Duration	+5bps	Generally, a little longer than index. With the fund pricing at 3pm, and the index at 11pm, timing impacted around 10bps.
Curve	-10bps	Too little long end exposure. We did have the position (see last month comments) but not enough to offset.
Geography	+5ps	No Italy or France. Japan and US led the G7. However, despite adding Japan earlier in the year, we remained underweight.
Asset allocation	-29bps	No US MBS cost ~10bps, although we do not participate in the asset class. While our high yield exposure has been cut to 10%, well below our normal floor, this still impacted performance.
Credit sector/ security selection:	-9bps	The vast majority of our credits were in line or outperformed the market but we were punished for three holdings – reflecting the unforgiving nature of the current backdrop. Stellantis had better than expected results however, Ziggo was unfairly punished by association with Virgin Media.

Positioning recap and outlook

Total portfolio: Yield = 5.3% (% exc. futures), Duration = 5.7 years, ESG rating: A

Rates (weight = 36.5% (60.7% inc. futures), yield = 4.7%, duration = 4.6 years)

Positioning in sovereign bonds	Fund	Expected fund range	Index
	36% (61% inc. futures)	**30% - 40%**	**53%**
Investment perspectives	**Valuation** Varied by market. US fair value whereas, other G7 a little cheap still over the short-term. “Danger” rally overshoots if NDQ etc rolls over.	**Fundamentals** Growth continues to be AI spend (not AI output) fuelled. That also lifts CPI. Amazing that we haven’t seen stronger numbers.	**Technicals** Better balance. Markets were too short, creating conditions for a rally. Investors still not fully up to weight.

- Yields fell from oversold positions.
- Economic data and rising oil price headwinds were offset by AI “growth” jitters.
- Generally, on the right side of duration though too little on the long end.

Contribution data and positioning information as of 31 October 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.

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Credit (IG: weight = 47.8%, yield= 5.9%, duration = 4.6 years)
(HY: weight = 9.9%, yield= 7.7%, duration = 3.0 years)

Positioning in corporate bonds	Fund	Expected fund range	Index
	Investment grade: 48%	20% - 60%	19%*
	High yield: 10%	20% - 30%	0%
Investment perspectives	**Valuations**. Cash bonds have underperformed synthetic indices significantly. Whilst some credits cheapened, core markets remained relatively well behaved. AT1's are still expensive and are surely due a more notable correction.	**Fundamentals** The one lever that has barely changed since the summer, except for the ever-expanding balance sheets to fund AI investments and the continued question marks over highly levered balance sheets, in the lowest rated companies.	**Technicals** Deteriorating technicals as volatility in the rates market has kept the all-in-yield buyer on the sidelines. There is little appetite to add risk into year-end as credit investors are sitting on negative excess returns.

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

- Three themes weighed on credit this month. Oil price via Iran, France and AI trade.
- We avoided most of the spread widening due to low exposure to those three factors.

Portfolio changes and where next

We reduced duration toward month end following a near 40bp rally in US 10-year bonds

The overall market is still cheap with yields generally closer to recent highs than the average levels of the past few years. Investment grade and high yield are starting to look more attractive relative to sovereign bonds, although by month-end we had not added to fund positions, and weights remained close to their lowest levels since the fund was launched.

France, oil, AI, US elections – there is plenty to think about, plenty to create volatility which as October showed can prove as much a threat to total returns as an opportunity for the unwary.

Overall, we note the fund "did its job", of providing solid income and a positive total return at a time when higher risk assets fell in value. To take materially greater credit risk, therefore, we'd need to see more compelling spread levels. The market travelled in that direction during October. Just not yet close enough to our destination.

Spotlight on an issuer sold: Tereos

Tereos is the second-largest sugar-producing group in the world. Based in France, its production is split mainly across Europe and Brazil.

- **Fundamentals: I**t has been a tough period for sugar producers, with declining sugar prices causing earnings to fall. Tereos has seen leverage rise from 2x in March 2024 to above 5.5x. Prices have started to increase as El Niño has driven one of the worst years for European yields in 40 years, but Tereos won't see the benefit of these higher prices until next year given the hedges currently in place. Management is working on a cost-reduction plan, while capex reductions and minor disposals will be needed to support the balance sheet in the short term.
- **Valuation:** We were bullish on Tereos when the company issued these bonds in January. There was a lot in the price, with the company geared to a recovery in sugar prices. As a result, the bonds performed well, delivering total returns of more than 5% year to date. More recently, the bonds had held up well, likely reflecting the increase in sugar prices, but we felt there was scope for short-term selling pressure given elevated energy costs and the bonds not following other French corporates lower. The bonds have since fallen four points, and we will look to add back as the outlook improves.
- **Technicals:** The 8.125% coupon provided a solid cushion to total returns if earnings remained weak. Recent developments have seen S&P downgrade Tereos to B+, while Fitch has the company on negative outlook and may follow.

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

Internal Use

What to watch out for next month

Rates:

It's a tug of war between energy prices and the rest.

Rates markets are betting heavily on central banks hiking to curb broader, medium-term inflation.

Strip out AI investment and growth looks patchy. Employment and consumer confidence across most of the G7 are weakening.

Watch for signs that this starts to influence central bank thinking. The Reserve Bank of New Zealand, often the first to spot a theme, downgraded its growth forecasts in early September. Bonds rallied, even as other markets were falling fast.

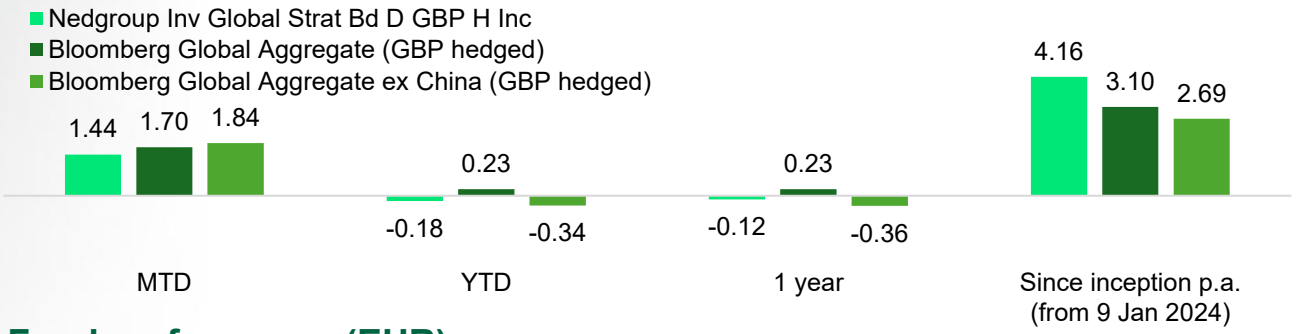
Credit:

We are more constructive as valuations have improved but remain defensive as risks have not abated. The new issue market may provide attractive opportunities to add credit beta at a discount, however.

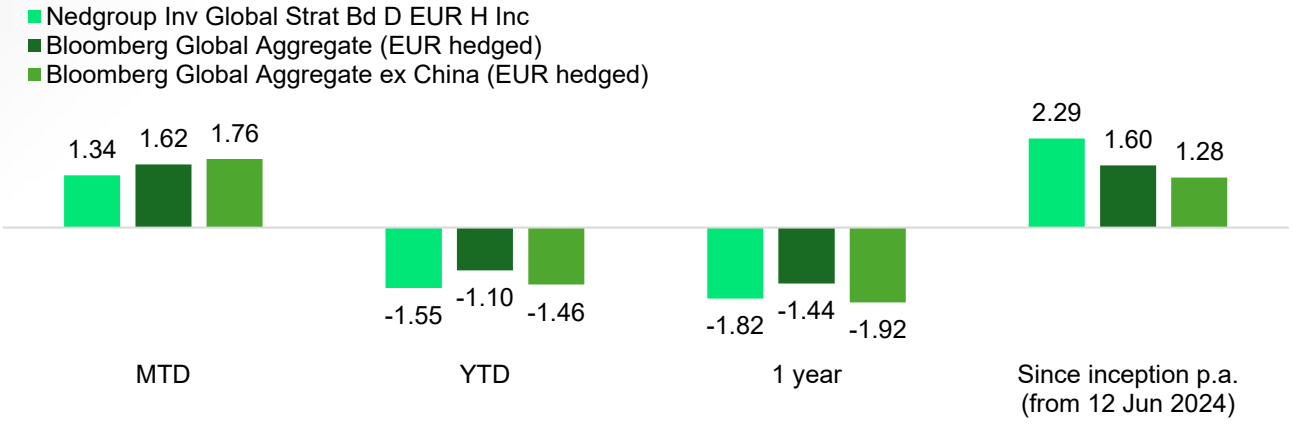
We continue to watch for further AI-related supply and expect dispersion across credit markets to remain high as rate volatility persists.

Fund performance (GBP)

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Fund performance (EUR)



Data as at 31 October 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.

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The sub-funds of the Fund (the Sub-Funds) are generally medium to long-term investments, and the Investment Manager does not guarantee the performance of an investor's investment and even if forecasts about the expected future performance are included the investor will carry the investment and market risk, which includes the possibility of losing capital.

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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