Global Strategic Bond Fund

▶ Core. Nimble. Proven.

Q1 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

40 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.

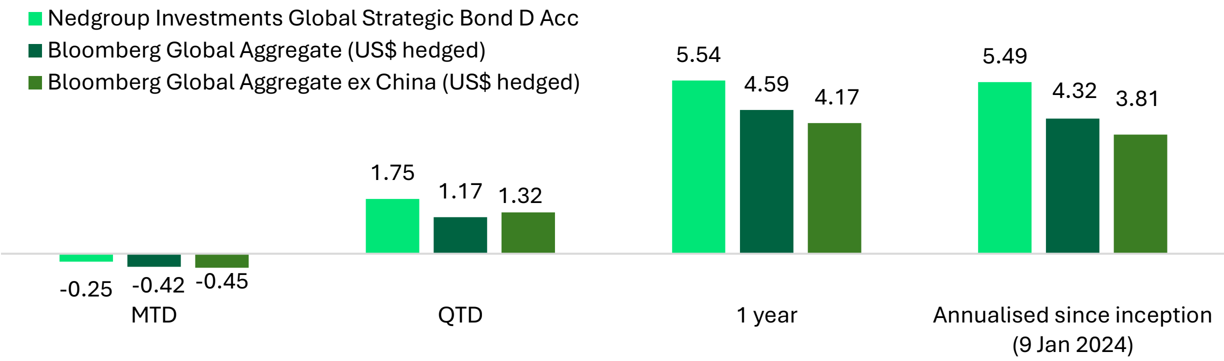
Performance and markets

Following the US election in November 2024, many wondered what a second Trump term would mean for financial markets; so far, the first quarter of the year has been a period of rapid unwinding of any "Trump trade" and increased volatility. The global bond market posted modest positive returns, driven entirely by income as capital values were slightly lower.

This hides a myriad of moves which have been influenced by tariffs. US government bonds posted significantly better numbers than UK or EU peers, the latter hindered by fears of rapid defence-related sovereign supply. On the flipside, it was European credit that outperformed US. Relentless investor demand drove European spreads to cycle tights by mid-February whilst valuation and policy concerns weighed on US credit. However even with strong investor support, by March even European credit couldn't ignore Trump's "Liberation Day" rhetoric entirely. Fortunately, we had derisked in late February.

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 quarter, the fund returned 1.75%, and Bloomberg Global Aggregate (US$ hedged), 1.17% and Bloomberg Global Aggregate ex China (US$ hedged), 1.32%.

The fund was overweight US bonds, contributing positively as yields hit 3-month lows. It was also marginally long in Europe with a focus on 5–10-year bonds, which added value as curves steepened in response to proposed defence spending.

Key return drivers over Q1 2025

Key drivers	Positioning and activity comments
Asset Allocation	• The "pro carry" bias within our process meant our average exposure to investment grade has been above Bloomberg Global Aggregate. • An overweight in credit (both IG and HY) in January and February boosted returns. • While, reducing "credit beta" in late February protected March returns. • The fund outperformed the index in "up" months (January and February) and in the "down" month of March without radical changes to portfolio strategy.
Credit (Macro)	• We began the period close to 70% credit, taking that down toward 60%. US Investment grade spreads reached 25-year tights. • We sold around 10% of BBB rated bonds into more defensive A rated. • We reduced the "spread duration" (shortened maturity) of the credit portfolio. • Our overweight to EU credit was cut in half as the easy money had been made.
Credit (Micro)	• We sold some of our best performing BBB names such as IWG and AA on valuation concerns. • We switched some of our European short dated Auto names into US issuance from Ford and GM on the back of valuation and tariff impact. • We minimised our exposure to the US consumer on concerns over a deteriorating outlook.
Rates (Macro)	• We successfully traded duration in a range of 6.5 to 5.5 years taking advantage of market volatility and sticking to our "value driven" approach. • We were between neutral to overweight $ bloc bonds relative to the global index • A large proportion of return came from curve positioning: we owned short-dated bonds and had few long ones. • Fears the Fed were switching from inflation targeting to supporting growth helped our curve positioning.
Rates (Micro)	• We still have no Japan. Yields continue to rise and will move higher as the BOJ procrastinates over interest rate hikes. • We added long dated German bonds following "worst day in a lifetime" for bunds post defence spending review. • We successfully bought and sold Canadian bonds, reducing our short position and buying back at better levels.

Source: Nedgroup Investments.

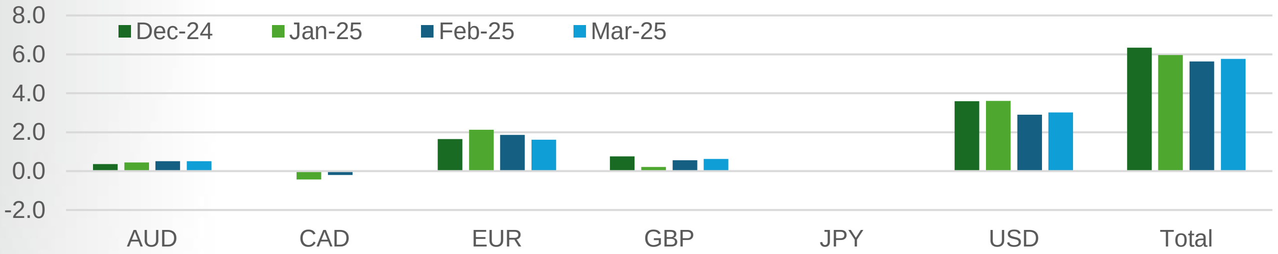
Activity at a glance over the quarter

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

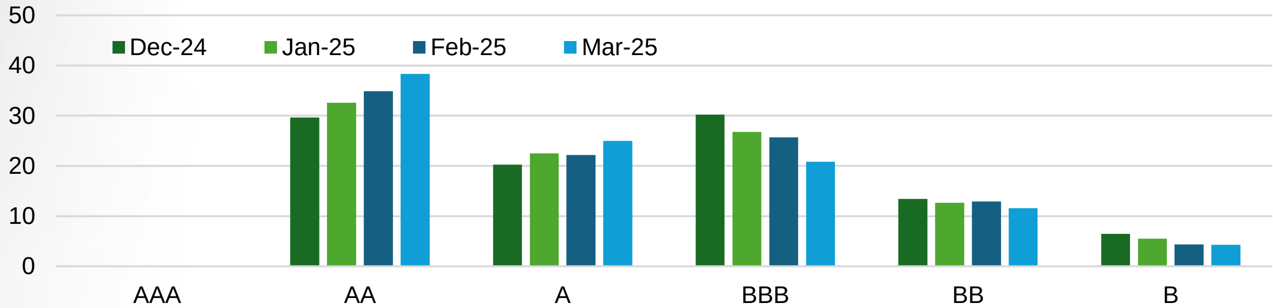
Rates: weight = 38.2% (55% inc. futures), yield = 4.2%, duration = 2.5 years

Credit IG: weight = 45.6%, yield= 5.2%, duration = 4.8 years | HY: weight = 16.4%, yield= 6.4%, duration = 2.5 years

Portfolio by duration contribution and currency (years)



Portfolio by credit quality (%)



Portfolio by sector (%)	Dec-24	Jan-25	Feb-25	Mar-25
Sovereign	27.8	29.2	33.2	38.2
Bond futures	36.4	35.1	27.8	16.5
Credit	69.2	62.9	62.0	63.6
Basic Materials	1.2	-	1.0	-
Communications	7.1	7.1	8.2	8.5
Consumer, Cyclical	10.8	11.3	11.7	10.4
Consumer, Non-cyclical	5.6	5.5	5.2	5.5
Energy	1.8	2.8	3.3	3.4
Financial	25.8	22.6	19.2	24.5
Industrial	2.0	1.7	3.9	3.0
Technology	1.1	1.0	-	-
Utilities	13.9	11.0	9.6	8.4

Fund allocations may not sum to 100% due to the use of futures for duration management and does not imply the fund is short cash or levered. Source: Nedgroup Investments

What to watch out for next quarter

Rates:

US markets are pricing for recession (or at least a Federal Reserve response akin to recession conditions. If that doesn't happen UST are vulnerable. Expect more volatility.

Credit:

Credit is pricing in little chance of a recession despite some spread widening into quarter end. We expect elongated uncertainty will weigh further on credit and look for a better entry point to increase our exposure.

Contact us

Email: Clientsolutions@nedgroupinvestments.com

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

Disclaimer

This is a marketing communication Please refer to the prospectus, the key investor information documents (the KIIDs/ PRIIPS KIDs) and the financial statements of Nedgroup Investments Funds plc (the Fund) before making any final investment decisions.

These documents are available from Nedgroup Investments (IOM) Ltd (the Investment Manager) or via the website: www.nedgroupinvestments.com.

This document is of a general nature and intended for information purposes only, it is not intended for distribution to any person or entity who is a citizen or resident of any country or other jurisdiction where such distribution, publication or use would be contrary to law or regulation. Whilst the Investment Manager has taken all reasonable steps to ensure that this document is accurate and current at the time of publication, we shall accept no responsibility or liability for any inaccuracies, errors or omissions relating to the information and topics covered in this document.

The Fund is authorised and regulated in Ireland by the Central Bank of Ireland. The Fund is authorised as a UCITS pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 as amended and as may be amended, supplemented, or consolidated from time-to-time and any rules, guidance or notices made by the Central Bank which are applicable to the Fund. The Fund is domiciled in Ireland. Nedgroup Investment (IOM) Limited (reg no 57917C), the Investment Manager and Distributor of the Fund, is licensed by the Isle of Man Financial Services Authority. The Depositary of the Fund is Citi Depositary Services Ireland DAC, 1 North Wall Quay, Dublin 1, Ireland. The Administrator of the Fund is Citibank Europe plc, 1 North Wall Quay, Dublin 1, Ireland.

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 views expressed herein are those of the Investment Manager / Sub-Investment Manager at the time and are subject to change. The price of shares may go down as well as up and the price will depend on fluctuations in financial markets outside of the control of the Investment Manager. Costs may increase or decrease as a result of currency and exchange rate fluctuations. If the currency of a Sub-Fund is different to the currency of the country in which the investor is resident, the return may increase or decrease as a result of currency fluctuations. Income may fluctuate in accordance with market conditions and taxation arrangements. As a result an investor may not get back the amount invested. Past performance is not indicative of future performance and does not predict future returns. The performance data does not take account of the commissions and costs incurred on the issue and redemption of shares.

Fees are outlined in the relevant Sub-Fund supplement available from the Investment Manager’s website.

The Sub-Funds are valued using the prices of underlying securities prevailing at 11pm Irish time the business day before the dealing date. Prices are published on the Investment Manager’s website. A summary of investor rights can be obtained, free of charge at www.nedgroupinvestments.com.

Distribution: The prospectus, the supplements, the KIIDs/PRIIPS KIDS, constitution, country specific appendix as well as the annual and semi-annual reports may be obtained free of charge from the country representative and the Investment Manager. The Investment Manager may decide to terminate the arrangements made for the marketing of its collective investment undertakings in accordance with Art 93a of Directive 2009/65/EC and Art 32a of Directive 2011/61/EU.

U.K: Nedgroup Investment (UK) Limited (reg no 2627187), authorised and regulated by the Financial Conduct Authority, is the facilities agent. The Fund and certain of its sub-funds are recognised in accordance with Section 264 of the Financial Services and Markets Act 2000.

Isle of Man: The Fund has been recognised under para 1 sch 4 of the Collective Investments Schemes Act 2008 of the Isle of Man. Isle of Man investors are not protected by statutory compensation arrangements in respect of the Fund.

Switzerland: The Representative is Acolin Fund Services AG, Maintower, Thurgauerstrasse 36/38, 8050 Zurich, Switzerland, whilst the Paying agent is Banque Heritage SA, Route de Chêne 61, CH-1211 Geneva 6. Nedgroup Investments (IOM) Limited is affiliated to the Swiss ombudsman: Verein Ombudsstelle Finanzdienstleister (OFD), Bleicherweg 10, CH-8002 Zurich.