Global Strategic Bond Fund

▶ Core. Nimble. Proven.

Q2 2025 Commentary

ISIN for Class D Acc USD: IE000H9BC817 | ISIN for Class D Inc GBP hedged: IE000TEXPBZ5

MARKETING COMMUNICATION

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

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.

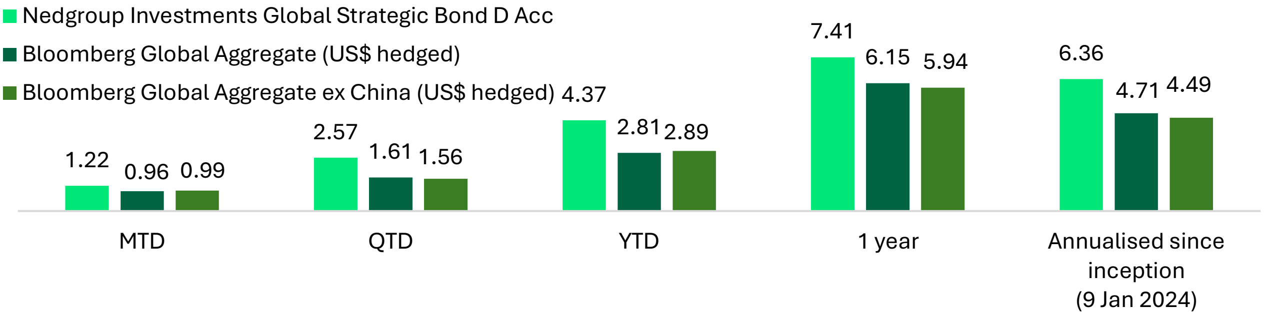
Performance and markets

Liberation day kicked off the quarter, presenting a chance to take advantage of rapid changes to asset prices. Having previously reduced our credit beta on the back of tight valuations, we were well-positioned to re-enter at significantly higher yields. At that point, markets were finally pricing in a long-anticipated economic slowdown – albeit briefly. As the quarter progressed, credit rallied back and eventually settled near the tights of the year. With valuations once again pricing in a benign macro environment, we continue to position for carry.

Meanwhile, cross-geography opportunities emerged in government bonds. As investors questioned the status of US Treasuries as a risk-free asset, and the US' ability to attract foreign capital to fund ever-expanding debt, markets turned to German government bonds as the preferred safe haven. Our overweight in Bunds benefitted. Despite continued weakness in the US dollar, fears around US assets faded. With no sustained evidence of overseas selling of Treasuries, market focus returned to economic fundamentals and further interest rate cuts were duly priced in.

Fund performance

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



Data as at 30 June 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 2.57%, and Bloomberg Global Aggregate (US$ hedged), 1.61% and Bloomberg Global Aggregate ex China (US$ hedged), 1.56%.

A significant portion of our excess return this quarter stemmed from effectively navigating geopolitically driven market volatility. This extended across asset allocation decisions — notably, our timely addition of corporate bonds following the Liberation Day dislocation and in government bond markets, as wide yield ranges created multiple value driven opportunities.

Key return drivers over Q2 2025	
Key drivers	**Positioning and activity comments**
Asset Allocation	• Trump's antics (or strategy if you prefer) created fertile ground for active managers. • With credit markets looking expensive, particularly at the riskier end, we had already reduced exposure, as noted previously. • We remain long-term believers in the power of economic fundamentals to prevail over political noise. That conviction has only strengthened given the US President's evident market focus. • Our approach remains consistent: buy undervalued assets on panic, sell expensive ones when complacency sets in.
Credit (Macro)	• We went into liberation day with just over 60% allocated to credit, providing plenty of room to increase credit beta. • Added back 5% of credit during the market-sell off, in high beta credit such as corporate hybrids and single 'B' credits. • We added to European credit, increasing our overweight once more on the back of valuation and the belief that US credit was more susceptible to a US consumer slowdown. • We enacted a barbell approach on the fund with a defensive bias within the core strategy married, with some short dated higher yielding assets to provide an income kicker.
Credit (Micro)	• We increased our exposure to short dated auto paper through a new issue of Valeo and adding to Ford. We also took a small position in Adler Pelzer which performed well. • Whilst we maintained our exposure to defensive sectors such as Utilities and telcos, we did switch between names. For example, we took advantage of a rumoured buy-out by Telefonica, of the remaining Virgin Media JV, to book decent profits in the name. • We also booked profits on some of the names we added to on Liberation day. We sold out of CBR Fashion, preferring to allocate capital to a short-dated bond in VFC.
Rates (Macro)	• Q3 will initially be driven by tariff setting and the pull of weaker growth versus the push of higher CPI. • The US economy is softening - the question is by how much. The rest of the G7, Europe especially, seems better placed. • With the US at 4.3%, UK 4.5% and Germany 2.6%, bond yields are attractive longer term for a 2-2.5% inflation world.
Rates (Micro)	• How aggressively tariffs are set will determine the disconnect between major markets. • US seems set to lose but if it's stagflation not just weak GDP then UST may fail to rally and could under perform EU where much of the Germanic stimulus "bad news" is in the price. • Japan is too late to raise rates and risks bond investor angst. Further material sell off and we could start to add (from a zero position – Japan is 15% of the global market). • Everyone is jumping on the "curve steepening" bandwagon. We've been on board for 15 months and now might be near time to get off.

Source: Nedgroup Investments.

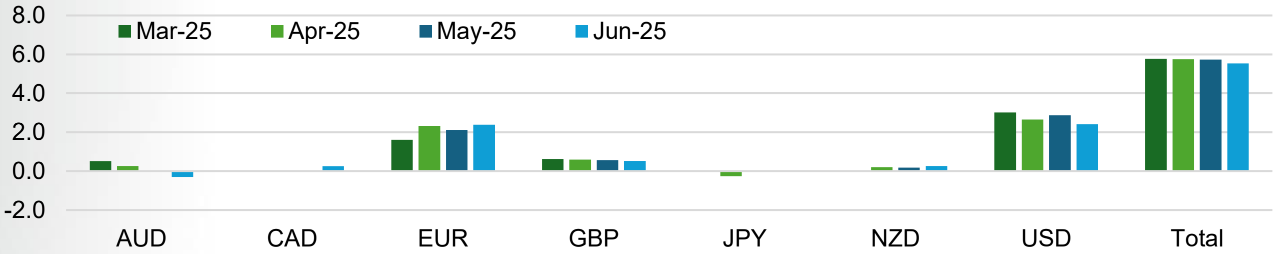
Activity at a glance over the quarter

Total portfolio: Yield = 5.0% (% exc. futures), Duration = 5.5 years, ESG rating: A

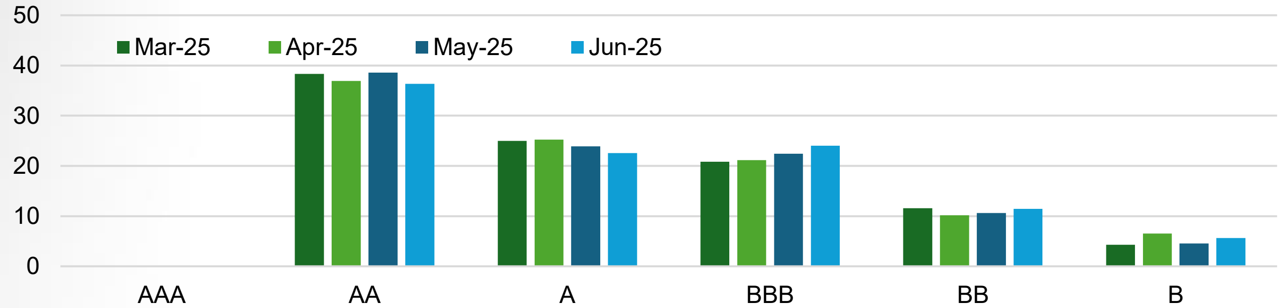
Rates (weight = 33.0% (37.4% inc. futures), yield = 4.1%, duration = 4.0 years)

Credit IG: weight = = 48.7%, yield= 5.3%, duration = 4.8 years | HY: weight = 16.8%, yield= 6.6%, duration = 2.8 years

Portfolio by duration contribution and currency (years)



Portfolio by credit quality (%)



Portfolio by sector (%)	Mar-25	Apr-25	May-25	Jun-25
Sovereign	38.2	34.8	35.0	33.0
Bond futures	16.5	2.1	21.6	4.4
Credit	63.6	63.3	62.2	65.6
Basic Materials	-	-	-	-
Communications	8.5	9.7	10.9	12.5
Consumer, Cyclical	10.4	9.2	9.5	10.4
Consumer, Non-cyclical	5.5	6.2	6.2	6.2
Energy	3.4	3.6	2.8	2.8
Financial	24.5	23.2	21. 1	20.2
Industrial	3.0	3.3	3.7	3.7
Technology	-	-	-	-
Utilities	8.4	8.2	8.1	9.8

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:

More of the same market dynamics could present cross-market opportunities. Should we see a squeeze in rates that implies recession-level pricing, we would look to reduce duration to protect the portfolio from a short-term, overbought environment.

Credit:

With supply expected to taper over the next few months, our base case is for a summer grind. This is in the price but any surprises – particularly from ongoing political noise – could create opportunities to adjust our credit positioning.

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