

PERFORMANCE

	3 Months	6 Months	1 Year	ITD*
Fund Performance (B Class)	-0.8%	-1.2%	2.9%	-13.1%
Markit iBoxx Global Green, Social and Sustainable GBP Hedged TR	-1.2%	-1.1%	1.7%	-15.8%
IA Global Corporate Bond	-0.5%	-1.2%	2.1%	-10.1%
Sector Quartile	3	2	2	3

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested.
*Inception Date 24th January 2022

YIELDS

Distribution	3.21
Underlying	2.66
Historic	2.91

MARKET REVIEW

Longer-dated bonds fell, with market participants favouring shorter maturities as they began to contemplate an end to interest rate hikes. Central bankers continued to guide towards keeping policy settings restrictive for longer, however, with headline inflation having declined further.

The US Federal Reserve raised its benchmark interest rate by 0.25% to 5.5% in late July, which it then maintained at that level in September. Policymakers are currently assessing the impact of cumulative policy changes delivered and remain unanimous in pursuit of their price stability objective. The European Central Bank was perhaps most hawkish as it continued to raise its benchmark interest rate, albeit by 0.25% increments each time, at both its July and September meetings. Whilst progress on headline inflation was welcomed, upside risks such as to energy prices linger due to geopolitical uncertainty.

The Bank of England raise its benchmark interest rate by a further 0.25% in August and opted to maintain the base rate at that level in September by a narrow margin. The 10-year yield began the quarter at 4.39% and fell to a low of 4.22% in July before rising to a high of 4.75% in August, ending the period at 4.44%.

Credit spreads maintained a steady decline over the quarter, with lower rated debt rallying more than higher quality securities notably in shorter maturities as further rate hikes were perceived as less likely. Longer maturity debt weakened, which saw corporate debt outperform sovereigns over the quarter. Sterling credit outperformed US and European credit, with sterling returning 1.12% for the quarter versus 1.04% for US dollar and 0.85% for euro credit.

PERFORMANCE & ACTIVITY

The Global Impact Bond Fund's total return outperformed its iBoxx Global, Green, Social and Sustainable GBP Hedged benchmark despite marginally lagging behind the IA Global Corporate bond sector. The Fund's interest rate sensitivity was the main contributor to relative performance, with an underweight allocation to longer dated debt delivering a positive contribution to performance.

Credit spreads fell over the quarter, with underlying interest rates continuing to determine a large part of total returns. Better than expected economic data supported risk sentiment, despite the prevalent risks around deteriorating growth prospects and heightened geopolitical uncertainty.

As the transmission of tighter monetary policy through the financial system advances, the probability of a more challenging outlook for companies that could result in higher default rates is greater. This would see risk premia increase.

Over the quarter, the Fund added to its holding in 2.3% 2033 German Bunds and initiated a new position in Orsted 3.625% 01/03/2026, reducing its underweight allocation to European debt.

OUTLOOK

Further moderation in the pace of interest hikes delivered by global central bankers has led market participants to anticipate that a peak is within view. Policymakers remain adamant, however, that more needs to be done to successfully return inflation to target levels and have therefore guided towards maintaining restrictive policy settings for longer than currently envisaged. Upside risks to the price of goods and services remain and have arguably been exacerbated by geopolitical uncertainty.

While interest rate hike campaigns are paused to enable the assessment of economies as further transmission of tighter monetary conditions takes place, central banks are reducing their balance sheets through quantitative tightening. The added supply of sovereign debt is likely to prompt a reassessment of risk, notably of term premia with the renewed focus on governments' fiscal plans. In the interim, better-than-expected growth has contrasted with slowing survey data, which has translated into delayed economic weakness. The UK's peculiar position of higher headline inflation and the re-acceleration of core price increases stands out from a global perspective and arguably increases the probability of a harsher economic downturn. Corporate default potential appears under-priced. We retain a bias towards higher quality corporate bonds which offer attractive risk-adjusted yield, alongside an increasing allocation to gilts and supra-national debt, notably in longer-dated maturities.

We remain vigilant in seeking out opportunities to add to high quality credits, scrutinising the robustness of business models and cash flows to ensure adequate compensation for risk. We have added further interest rate sensitivity with the view that the rate hike cycle is close to completion and are now just above neutral. Having reduced cash, we are also relying on higher credit quality to enhance overall portfolio liquidity whilst preserving capital.

YIELDS

The Distribution Yield reflects the amounts that may be expected to be distributed over the next 12 months as a percentage of the mid-market share price of the Fund as at the date shown. The Underlying Yield reflects the annualised income net of expenses of the Fund (calculated in accordance with relevant accounting standards) as a percentage of the midmarket share price of the Fund as at the date shown. Both Yields are based on a snapshot of the portfolio on that day. The yields do not include any preliminary charge and investors may be subject to tax on distributions. The Distribution Yield is higher

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Performance
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than the Underlying Yield because the Fund's expenses are charged to capital. This has the effect of increasing the distributions for the year and constraining the Fund's capital performance to an equivalent extent.

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