GLOBAL IMPACT BOND FUND

PERFORMANCE

	3 Months	6 Months	ITD*
Fund Performance (B Class)	-3.7%	-11.2%	-15.6%
Markit iBoxx Global Green, Social and Sustainable GBP Hedged TR	-5.0%	-12.2%	-17.3%
IA Global Corporate Bond	-2.6%	-7.8%	-11.8%
Sector Quartile	3	4	3

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

YIELDS

	Sep-22
Distribution	-
Underlying	-

REVIEW

Global bond yields continued to rise as central banks delivered increasingly hawkish monetary policy in an attempt to mitigate surging consumer prices. The US Federal Reserve raised its benchmark interest rate by a combined 1.50% in the third quarter of 2022. It was keen to emphasize the likelihood of further hikes to drive inflation down sustainably towards target, implying a tolerance for weaker growth that would result from aggressive tightening to restore price stability. The US Treasury 10-year yield began the quarter at 3.1% before ending the period at 3.83%.

The European Central Bank enacted larger-than-expected benchmark interest rate increases of 0.50% in July and 0.75% in September. Yields trended higher throughout the quarter with German government bunds reaching 2.1% at the end of the quarter.

At both its July and September meetings, the Bank of England raised its base interest rate by 0.5% with some policymakers voting for a larger hike in an attempt to re-anchor inflation expectations. Concerns around the UK's fiscal outlook also emerged. Such was the knock-on adverse impact on gilts in late September that the Bank of England saw targeted intervention necessary.

Credit spreads, despite recording little relative change throughout the quarter, rose in the penultimate week in tandem with risk premia. Unsurprisingly, the spreads on sterling corporate bonds reached their widest point this year and the bonds materially underperformed both dollar and euro credits.

PERFORMANCE & ACTIVITY

The Global Impact Bond Fund (TR) outperformed its iBoxx Global Green, Social & Sustainability Bonds benchmark over the period and the IA Global Corporate Bond sector. The Fund's shorter relative duration proved beneficial in the quarter, as longer-maturity debt declined more considerably as yields rose. Corporate bonds were particularly weaker in the sub-investment grade credit rating segment.

Risk sentiment deteriorated towards the end of the quarter, when it became apparent that central banks were willing to accept lower economic growth as a trade-off for restoring price stability. Credit spreads rose on lower-rated debt, as market participants began to price in a more challenging outlook for companies.

Over the quarter, the Fund initiated new positions in Santander Holdings' inaugural sustainability bond (USA 5.807% 09/09/2026), with proceeds being used to foster inclusive communities and supporting the green economy. Additionally, the Fund purchased the sustainability bonds of Alphabet 2.05%, parent company of Google.

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OUTLOOK

Global central banks are decisively hawkish. While their tolerance for slower growth as a price to rein back price expectations grows, risky assets are likely to face a more challenging outlook. Geo-political risks also remain elevated as Russia's invasion of Ukraine further disrupts energy supply to Europe ahead of the winter months.

Despite the speed of the decline in sovereign debt prices warranting intervention by the Bank of England, notably for longer-maturity gilts, global central banks elsewhere are thus far undeterred in their battle against inflation. Emerging signs that such price increases have become embedded for instance through higher core inflation, will only strengthen their policy tightening resolve. The US Federal Reserve continues to deliver outsized interest rate hikes, with the European Central Bank also guiding towards more restrictive monetary policy as inflation accelerates. Even though targeted fiscal support to ease the prevalent cost-of-living pressures are likely to lend support to consumer demand in the near term, the dampening effects of restrictive financial conditions on the prospects for growth are likely to dominate. A cautious stance towards lower-rated and 'higher-beta' assets is crucial, as is a bias towards higher quality corporate bonds and/or government-backed debt, particularly when central banks embark on quantitative tightening.

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 continue to view the Fund's overall shorter relative duration profile as appropriate, also relying on higher cash levels 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 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.

To obtain further information please speak to your normal EdenTree representative, visit **www.edentreeim.com** or call our support team on **0800 011 3821**

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