Q4 2025 Commentary

EdenTree Short Dated Bond Fund

Performance	3 months	6 months	1 year	3 years	5 years	10 years
Fund Performance (B Class)	1.5%	2.4%	5.6%	15.8%	8.3%	-
iBoxx Non-Gilts ex BBB 1-5 TR GBP*	1.6%	2.5%	6.1%	16.3%	7.1%	-
IA £ Corporate Bond	2.4%	3.3%	7.0%	19.9%	-1.7%	-
Sector Quartile	4	4	4	4	1	-

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested. Data as at 31.12.2025

Yields**	
Distribution	4.4%
Underlying	4.4%
Historic	3.8%

Source: EdenTree. Data as at 31.12.2025

Market review

Short-dated sterling-denominated bonds rallied over the quarter as gilt yields fell; the FTSE UK Gilts under 5-year yield began the period at 3.95% and fell to a low of 3.70% in November, before ending the period at 3.77%. During the quarter, higher-than-expected unemployment and easing inflation increased market expectations of further near-term UK interest rate cuts. In December, the Bank of England (BoE) cut its benchmark interest rate by 25 basis points (bps) to 3.75%, its fourth cut of the year.

In the US, the Federal Reserve (Fed) cut its benchmark interest rate by 25 bps in both October and December, bringing the target range to 3.50%-3.75%, marking a total of three reductions in 2025. However, stronger-than-expected growth and employment data have tempered expectations for further easing in the coming weeks. The European Central Bank left its benchmark policy rate unchanged at 2.00% as expected, with upward revisions to inflation contributing to a more hawkish outlook.

Credit spreads were broadly stable over the quarter, remaining near historically tight levels following their earlier rally alongside risk assets. Underlying sovereign bond prices were, therefore, the main driver of performance, with longer-duration corporate bonds outperforming shorter-dated bonds on higher interest rate sensitivity as gilt yields declined across the curve. Lower-rated corporate bonds generally continued to outperform higher-rate investment grade debt, except for sub-investment grade debt where risk premia widened.

Performance and activity

The EdenTree Short-Dated Bond Fund marginally underperformed its iBoxx Non-Gilts excluding BBB 1-5 years benchmark and lagged its IA Sterling Corporate Bond sector over the period as sterling-denominated bonds rallied. While the Fund's overweight position in financials was a positive contributor, this was outweighed by the drag from its shorter duration position, as longer-dated corporate bonds outperformed amid rising expectations of interest rate cuts.

With credit spreads at historically tight levels with little change over the quarter, duration had a greater influence on the Fund's performance than credit beta. Fiscal concerns remained heightened globally, including in the UK, where government budget proposals were scrutinised. However, better-than-expected inflation data supported the case for further interest rate cuts, with further yield curve steepening still anticipated on inflation risks.

Over the quarter, the Fund initiated positions in Federation des Caisses Desjardins 4.875% 2030, World Bank 4.125% 2031, HSBC Holdings 5.29% 2032 (2031 call), Nationwide 5.532% 2033 (2032 call) and Aviva plc 4% 2032 (2031 call). It also added to its existing holding in International Finance Corporation 4% 2029 social bond.

There was a maturity of Bank of Nova Scotia 1.25% 2025 and a tender of its holding in Bupa Finance 5% 2026 ahead of its ultimate redemption date.

The Fund sold its holdings in World Bank 0.75% 2026, Inter-American Development Bank 0.5% 2026, Landesbank Baden-Wuerttemberg 1.125% 2025, Nationwide 3% 2026 covered bond, Realty Income Corp 1.125% 2027 and European Investment Bank 3.875% 2028.

Outlook

A clear distinction has developed between central banks that are close to their perceived neutral policy rates and those that are not. Key market drivers include the resumption of interest rate cuts by the Fed and the more gradual easing by the BoE. If evidence of disinflation builds, further rate reductions by the BoE are expected, particularly as the policy rate approaches a "neutral" level. As such, the Bank of Japan is an outlier, with its policymakers in pursuit of higher interest rates.

Heightened uncertainty on inflation and fiscal policy is likely to weigh on the longer end of yield curves, supporting higher term premia. The upcoming change in the Fed's leadership is also noteworthy, with Powell's replacement's likely propensity to be dovish increasing the prospect of more near-term Fed rate cuts.

Credit spreads remain close to historic tights, limiting the appeal of riskier corporate bonds (as the compensation for associated risks, including default, diminishes) and reinforcing the need for a flexible, selective investment approach. New corporate issuance offers compelling value, where attractive all-in yields provide opportunities across sectors.

Market participants increased their scrutiny of budget deficits across major economies, including the US, UK and France, with concerns around governments' abilities to deliver fiscal consolidation remaining high. At the same time, inflation stickiness provides a further challenge, with markets adjusting to a new normal where inflation may average closer to 3% than 2%, potentially constraining the pace and depth of future interest rate cuts.

We, therefore, 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. More recently, we have continued to seize such opportunities in the primary markets, where bonds were offered with some new-issue premia. Our investment approach continues to focus on good-quality short-dated credits with attractive yields.

Performance Discrete Rolling 12 months	12 months to 31/12/2021	12 months to 31/12/2022	12 months to 31/12/2023	12 months to 31/12/2024	12 months to 31/12/2025
Fund Performance (B Class)	-1.4%	-5.2%	5.9%	3.6%	5.6%
iBoxx Non-Gilts ex BBB 1-5 TR GBP*	-1.5%	-6.6%	5.9%	3.5%	6.1%
IA £ Corporate Bond	-1.9%	-16.4%	9.3%	2.6%	7.0%
Sector Quartile	2	1	4	2	4

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested.

*As the Fund has greater exposure to short dated corporate bonds over gilts, we compare the Fund's performance to the iBoxx Non-Gilts 1-5 years ex BBB Benchmark. However, the portfolio manager is not bound or influenced by the index when making investment decisions.

**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 the 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. The Historic Yield reflects distributions declared over the past twelve months as a percentage of the share price.

Past performance is not necessarily a guide to future returns.

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Firm Reference Number 527473.