EdenTree Short Dated Bond Fund

Q1 2025 Commentary

PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Fund (B Class)	1.1%	1.5%	4.3%	7.1%	8.1%	-
iBoxx Non-Gilts ex BBB 1-5 TR GBP*	1.3%	1.7%	4.6%	6.3%	6.0%	-
IA £ Corporate Bond	1.0%	0.5%	3.2%	0.3%	4.7%	-
Sector Quartile	2	2	2	1	2	-

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

Data as at 31.03.2025

YIELDS**

Distribution	*4.38%*
Underlying	*4.03%*
Historic	*3.23%*

Data as at 31.03.2025
Source: EdenTree.

MARKET REVIEW

Short-dated bond yields fell over the quarter, with the gilt yield curve steepening as market participants anticipated interest rate cuts. Central banks grew reluctant to commit to further monetary policy easing in the near term due to increasing uncertainty and ongoing geopolitical tensions. The Bank of England cut its benchmark interest rate by 25 basis points (bps) to 4.5% in February but then held rates at its March meeting, citing inflationary pressure and economic uncertainty as reasons for caution. The FTSE UK Gilts under 5-year yield began the period at 4.24% and rose to a high of 4.47% before falling to end the quarter at 4.08%.

The US Federal Reserve maintained its benchmark interest rate at 4.5% during the period, signalling a gradual approach to policy easing. The European Central Bank cut its main interest rate by 25 bps in January and 25 bps in March, acknowledging the progress of inflation towards its 2% target despite some downward revision to growth estimates. However, a data-dependent approach to upcoming monetary policy decisions was highlighted, particularly in the aftermath of the significant increases in fiscal expenditures that have been announced to fund defence spending programmes across Europe.

Credit risk premia widened over the quarter. Risk sentiment took a turn for the worse on fears about economic growth in the face of growing global trade disruptions. This favoured higher-quality credit at shorter-dated tenors, particularly in March as the period ended. Corporate bonds were in-line with sovereign debt in shorter maturities, with longer-dated credit underperforming government bonds further out on the yield curve.

PERFORMANCE & ACTIVITY

The EdenTree Short-Dated Bond Fund underperformed its iBoxx Non-Gilts 1-5 years excluding BBB benchmark, largely on account of its shorter relative duration positioning in the earlier part of the quarter. As credit spreads rose, there was an adverse contribution from credit selection in both the financials and utilities sectors where the fund is overweight compared to its benchmark.

The fund's holdings in lower-beta quasi-government bonds proved beneficial over the period, as did the added interest rate sensitivity from reducing its floating rate note exposure. The fiscal policy announcement in Europe to increase defence spending had a more significant impact on longer-dated maturities, with the higher chance of interest rate cuts as the growth outlook deteriorated therefore favouring shorter-dated credits compared to the broader corporate debt universe.

Over the period, we initiated holdings in the newly issued Places for People 5.375% 2032 sustainable bond and Banco Santander 5.5% 2029 bond whilst adding to our current holdings in Schroders 6.346% 2034 (2029 call), International Finance Corporation 3.875% 2030, International Development Association 4.125% 2029, Realty Income 5% 2029 and Rabobank 4.875% 2030 (2029 call) Green bond.

We saw maturities in Rabobank 1.25% 2025 and an early redemption of Places for People 2.875% 2026.

We sold our positions in Compass Group 2% 2025, Northern Powergrid 2.5% 2025, ING Bank 3% 2026, Siemens 2.75% 2025, Motability 3.75% 2026, Bazalgette Finance 2.375% 2027, Anglian Water 1.625% 2025, Anglian Water 4.5% 2026 and Unite Group 3.921% 2025.

OUTLOOK

The disruptions to global trade stemming from the recent tariff announcements are not only inflationary but also have the potential to adversely affect economic growth and employment. The heightened macro-economic uncertainty created by the fallout from such policies warrants caution. Central bankers will weigh the benefits of any monetary policy actions against the risks of reinvigorating price pressures, with recent lessons from the pandemic-induced inflation experience limiting the likelihood of a quick response.

Risk sentiment is deteriorating alongside consumer and business confidence. Even though some of the real-world implications are yet to come through, the lack of certainty is already paralysing business investment decisions, increasing savings rates and increasing the chances of lower corporate earnings. Safe-haven assets such as sovereign debt are rallying, and credit risk premia are widening from historic lows. The underperformance of risky assets is particularly apparent on lower-quality segments of the corporate debt universe such as sub-investment grade debt, vindicating our caution here. Concerns around higher bond issuance and fiscal discipline combined with emerging upside inflation risks support the case for shorter-maturity tenors as compared to higher interest rate sensitivity.

The likelihood of further interest rate cuts is supportive of the broader asset class nonetheless, and rising credit spreads are bound to create better risk-adjusted returns on corporate debt. Timing is key though. We maintain a cautious stance towards lower-rated, 'higher-beta' assets and a bias towards higher-quality debt, from which we are benefitting. Amidst the changing global trade dynamics, recession and default risks may have further to run before we gain confidence on the economic outlook.

We, therefore, remain vigilant in seeking out and seizing on the best investment opportunities to add to high-quality credits, scrutinising the robustness of business models and cash flows to ensure adequate compensation for risk. Our investment approach continues to focus on good-quality short-dated credits with attractive yields.

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PERFORMANCE DISCRETE ROLING 12 MONTHS	12 Months to 31/03/2021	12 Months to 31/03/2022	12 Months to 31/03/2023	12 Months to 31/03/2024	12 Months to 31/03/2025
Fund (B Class)	3.6%	-2.5%	-2.4%	5.2%	4.3%
iBoxx Non-Gilts ex BBB 1-5 TR GBP*	2.9%	-3.1%	-3.1%	4.9%	4.6%
IA £ Corporate Bond	9.2%	-4.4%	-9.4%	7.3%	3.2%
Sector Quartile	4	1	1	4	2

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

Past performance is not necessarily a guide to future returns.

*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.

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