Q3 2025 Commentary

EdenTree Short Dated Bond Fund

Performance	3 months	6 months	1 year	3 years	5 years	10 years
Fund Performance (B Class)	0.9%	2.8%	4.4%	17.1%	7.5%	-
iBoxx Non-Gilts ex BBB 1-5 TR GBP*	0.9%	3.0%	4.7%	18.8%	6.0%	-
IA £ Corporate Bond	0.9%	3.4%	4.0%	23.7%	-0.8%	-
Sector Quartile	3	4	2	4	1	-

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested. Data as at 30.09.2025

Yields**	
Distribution	4.4%
Underlying	4.4%
Historic	3.7%

Source: EdenTree. Data as at 30.09.2025

Market review

Short-dated bond yields rose over the quarter. Higher-than-expected inflation, notably in the UK, led market participants to pare back their expectations of interest rate cuts. Fiscal concerns also kept longer-maturity bond yields higher. The Bank of England (BoE) cut its benchmark interest rate by 25 basis points (bps) to 4.00% in August, its third such action this year. The BoE maintained guidance of a “gradual and careful” pace of further rate reductions. The FTSE UK Gilts under 5-year yield began the period at 3.76% and rose to a high of 3.98% in September, before ending the period at 3.95%.

During the quarter, the US Federal Reserve (Fed) cut its benchmark interest rate for the first time in 2025 to a target range of 4.00-4.25%, with Fed Chair Jerome Powell citing growing concerns over an already weakening labour market. The European Central Bank (ECB), having cut by a cumulative 100 bps so far in 2025, held its main benchmark interest rate at 2.00%. Policymakers have since declared this as a neutral level, given balanced risks to both economic growth and inflation in the euro area.

Alongside the rally in risk assets, credit spreads continued to tighten over the quarter and now sit at historic tights. Shorter-dated corporate bonds outperformed their longer-duration counterparts; this was influenced, to great extent, by movements in the underlying sovereign yield curves. Lower-quality debt outperformed higher-quality credit, with corporate bonds ending the period ahead of government bonds across the yield curve.

Performance and activity

The EdenTree Short-Dated Bond Fund performed in-line with its iBoxx Non-Gilts excluding BBB 1-5 years benchmark and the IA Sterling Corporate Bond sector over the period. The Fund’s overweight position in financials contributed positively to performance through effective credit selection, helping to offset the adverse impact of our shorter relative duration positioning, as corporate bonds rallied more at the short end of the yield curve.

Although higher-quality debt also gained over the period, its low credit beta meant it underperformed compared to segments of the market like sub-investment grade corporate bonds, which benefitted more from tightening risk premia. The prospect of further interest rate cuts and yield curve steepening as term premia moves to reflect governments’ fiscal constraints still supports the case for shorter-dated credits, notably those from issuers of higher-quality credit

Over the quarter, the Fund initiated holdings in Places for People 5.875% 2031, Swedbank 4.875% 2030 green bond, Nationwide 5.532% 2033 (2032 call), HSBC Holdings 5.29% 2032 (2031 call) and International Finance Corporation 4% 2029 social bond.

It also added to its position in International Finance Facility for Immunisation 4.25% 2028.

There were maturities of Compass Group 2% 2025, Banque Fédérative Crédit Mutuel 4.875% 2025 and an early redemption of the Fund's holding in ING Bank 5% 2026.

The Fund sold positions in Nordic Investment Bank 2.375% 2026, KfW 4.125% 2026, Anglian Water 4.5% 2027, Bank of Nova Scotia 1.25% 2025 and Banque Fédérative Crédit Mutuel 5% 2026.

Outlook

The global interest rate cycle appears to be de-coupling, with faster reductions by major central banks in geographies such as Europe and Canada met with limited monetary policy loosening from the Fed and BoE. The latter institutions have cut less, with the BoE, in particular, placing greater emphasis on lingering inflation risks. Even though the most recent disruption to trade has not yet resulted in higher consumer prices, a heightened level of uncertainty remains, particularly around fiscal policy.

In an environment marked by concerns around large and growing government budget deficits and a slower pace of interest rate cuts, shorter and intermediate tenor bonds tend to perform better. The trend for steeper yield curves looks set to continue.

Credit spreads are currently at historic tights, which typically reduces the appeal of riskier corporate bonds, as the compensation for associated risks, including default, diminishes. Despite deteriorating labour markets, the global economy's resilience in the face of ongoing shocks, not least recent trade tariffs, is confounding expectations and may well see market participants persist in their renewed search for yield.

Higher budget deficits amongst major economies such as the US, UK and France are rightly garnering more attention from bond markets, particularly as attempts to curb spending are met with stiff political resistance. Fitch's downgrade of France's credit rating to single-A following France's failure to implement the required fiscal consolidation could serve as a precursor to national budget announcements elsewhere in the coming months. Interest rate risk on longer-dated maturities, therefore, looks underpriced. We also remain cautious of lower-quality corporate debt, such as sub-investment grade debt, despite the lack of an obvious catalyst for credit market weakness.

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 seized 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 30/09/2021	12 months to 30/09/2022	12 months to 30/09/2023	12 months to 30/09/2024	12 months to 30/09/2025
Fund Performance (B Class)	0.0%	-8.2%	4.8%	7.0%	4.4%
iBoxx Non-Gilts ex BBB 1-5 TR GBP*	-0.2%	-10.6%	5.9%	7.1%	4.7%
IA £ Corporate Bond	1.2%	-20.8%	7.1%	11.1%	4.0%
Sector Quartile	3	1	3	4	2

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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Please note that the value of an investment and the income from it can fall as well as rise as a result of market and currency fluctuations, you may not get back the amount originally invested. Past performance is not necessarily a guide to future returns.

A full explanation of the characteristics of the investments is given in the Key Investor Information Document (KIID). Any forecast, figures, opinions, statements of financial market trends or investment techniques and strategies expressed are, unless otherwise stated, EdenTree Investment Management's own at the date of this document. They are considered to be reliable at the time of writing, may not necessarily be all-inclusive and are not guaranteed as to accuracy. There is no guarantee that any forecast made will come to pass.

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