Q4 2025 Commentary

EdenTree Global Sustainable Government Bond Fund

Performance	3 months	6 months	1 year	3 years	5 years	10 years
Fund Performance (B Class)	0.7%	1.2%	2.9%	-	-	-
Bloomberg Gbl Agg Treasuries TR Hdg GBP*	0.5%	1.1%	3.4%	-	-	-
IA Global Government Bond	0.3%	2.1%	2.8%	-	-	-
Sector Quartile	2	3	3	-	-	-

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

Yields**	
Distribution	2.8%
Underlying	2.8%
Historic	2.2%

Source: EdenTree. Data as at 31.12.2025

Market review

Global bond yields generally rose in the fourth quarter, with the exception of the UK due to the anticipation of Bank of England (BoE) interest rate cuts. While further policy easing was also expected in the US, both the European Central Bank and the Bank of Canada signalled a pause in their easing cycles following significant rate reductions earlier in the year.

The Bank of Japan was the only major central bank tightening monetary policy, raising its benchmark interest rate by 25 basis points (bps) in December to 0.75%. Japanese government bond yields rose considerably, as did Australian sovereign bond yields, as persistent price rises inspired hawkish sentiment in these geographies. In the US, the Federal Reserve (Fed) cut its benchmark interest rate twice by 25 bps in October and December, bringing the target range to 3.50%-3.75%, marking a total of three reductions in 2025. Stronger-than-expected growth and employment data have since moderated expectations for further easing in the coming weeks. The Bank of Canada cut its benchmark interest rate by a further 25 bps to 2.25% in October, following a further fall in inflation.

The European Central Bank left its benchmark interest rate at 2.00% as expected, with upward revisions to inflation contributing to a more hawkish outlook. The Bank of England cut its benchmark interest rate by 25 basis points (bps) to 3.75% in December, its fourth such action of the year.

Performance and activity

The EdenTree Global Sustainable Government Bond Fund outperformed its Bloomberg Global Aggregate Treasuries Index and the IA Global Government Bond sector during the period. The Fund's overweight allocation to sterling-denominated debt contributed positively to performance as gilts rallied significantly more than other developed market sovereign bonds, particularly in longer-dated tenors; while fiscal concerns remained heightened globally, and in the UK as government budget proposals were scrutinised, expectations of further UK interest rate cuts drove yields lower. The Fund's underweight allocation and shorter relative duration in Japanese government bonds also contributed positively to performance as yields rose.

Cash subscriptions over the period were primarily invested by adding to existing holdings, with a focus on increasing exposure to the UK and US regions while reducing allocation to European sovereign debt. Purchases included increasing our exposure to the UK Treasury 0.875% 2033, green gilt, UK Treasury 1.5% 2053 green gilt, International Finance Facility for Immunisation (IFFIm) 4.25% 2028 GBP bond, World Bank 4.875% 2030 sustainable GBP bond, World Bank 4.375% 2035 USD sustainable bond, US Treasury 4.375% 2043 and Inter-American Development Bank 3.5% 2033 sustainable bond.

Over the period, we reduced the Fund's duration further by selling more of its longer-dated France government bond holdings, including France 0.5% 2044 green OAT, France 1.75% 2039 green OAT and France 3% 2049 green OAT.

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.

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.

The Fund continued to reduce its overweight allocation to European sovereign debt in favour of UK and US-dollar-denominated assets, as the ECB signalled that monetary policy had reached a "neutral" level. The scope for interest rate cuts appears greater in both the US and UK. Fiscal concerns remain largely unaddressed, notably for countries such as France. Upside inflation risks are weighing at the long end of yield curves, leaving us to favour shorter to intermediate tenors as prime beneficiaries from forthcoming interest rate cuts.

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)	-	-	-	-	2.9%
Bloomberg Gbl Agg Treasuries TR Hdg GBP*	-	-	-	-	3.4%
IA Global Government Bond	-	-	-	-	2.8%
Sector Quartile	-	-	-	-	3

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested.
* We compare the Fund's performance to the Bloomberg Global Aggregate Treasuries Total Return Index Hedged GBP Index. 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 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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