

EdenTree Global Impact Bond Fund

Q2 2025 Commentary



PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	ITD*
Fund (B Class)	1.8%	2.1%	4.9%	11.3%	-2.4%
iBoxx Glo Green Soc Sust Bond Hdg TR GBP**	2.1%	2.4%	6.4%	9.6%	-4.5%
IA Global Corporate Bond	1.0%	2.3%	5.6%	12.1%	1.5%
Sector Quartile	3	3	3	2	3

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested.
Data as at 30.06.2025

YIELDS***

	Jun 2025
Distribution	3.79%
Underlying	3.24%
Historic	3.32%

Data as at 30.06.2025
Source: EdenTree.

MARKET REVIEW

Global yield curves steepened over the quarter, with shorter-dated and intermediate maturity bonds rallying while longer-dated yields rose further as fiscal concerns gained prominence. Although central banks are still expecting to cut interest rates, the decline in upside inflation risk means they are likely to proceed at a more gradual pace.

The US Federal Reserve (Fed) held its key interest rate at a target range of 4.25% to 4.5% during the period, as it awaited data on the economic impact of US trade tariffs. The European Central Bank (ECB) cut its main interest rate by 25 basis points (bps) in April and 25 bps in June, as headline inflation fell and corresponding price fears subsided. ECB policymakers remain data-dependant, but a growing number have signalled the rate-cutting cycle may be nearing its end.

The Bank of England cut its benchmark interest rate by 25 basis points (bps) to 4.25% in May, a close decision given the uncertain backdrop of geopolitical tensions and trade negotiations. The FTSE 10-year UK gilt yield began the period at 4.61% and rose to a high of 4.74% before ending the quarter at 4.48%.

Credit spreads tightened over the quarter, recovering from the sharp widening triggered by the 'Liberation Day' tariff announcements. Corporate bonds subsequently rallied, with lower-rated debt outperforming higher-quality credit at the shorter end of the yield curve. Corporate bonds also outperformed government bonds across the yield curve.

PERFORMANCE & ACTIVITY

The Global Impact Bond Fund underperformed its iBoxx Global Green Social Sustainability Index over the period. However, the Fund outperformed the IA Global Corporate Bond sector.

The Fund's performance was negatively affected by its strategic allocation to longer-dated securities, where it was overweight. These longer-term bonds are more sensitive to changes in interest rates due to their extended duration. Therefore, uncertainty around the fiscal trajectory of the UK and the US, particularly with the progression of the US administration's "Big Beautiful Bill" Act, adversely affected their performance during the quarter. This negatively offset positive contributions from the Fund's security selection.

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As risk assets rebounded in the latter half of the period, the Fund reduced its position in the green bond of German automotive supplier ZF Friedrichshafen AG. The Fund also reduced its holding in the longer dated 3.625% US Treasury 2053.

OUTLOOK

With economic growth, employment and headline inflation data not yet reflecting possible disruptions to global trade, the rebound in higher-risk assets suggests a sanguine stance by market participants. This could reflect that worst-case scenarios seem to have been averted. However, elevated levels of uncertainty continue to warrant caution, not least given ongoing geopolitical tensions and conflict in the Middle East.

While the likelihood of further interest rate cuts from major central banks may support the shorter end of yield curves, yields could remain elevated, notably in longer-dated tenors.

Although risk sentiment has recovered, this may be masking the potential for recession, particularly as the reduction in business investment begins to weigh on economic growth. In credit markets, risk premiums have nearly reversed the widening seen earlier this year, as corporates navigate the more volatile re-financing environment, albeit while reducing debt issuance.

Global growth is being downgraded, and it's unclear how trade dynamics will evolve. The relative attractions of high-quality credit remain nonetheless, with shorter-dated tenors poised to benefit more from monetary policy easing and likely to be impacted less by the fiscal challenges steepening sovereign yield curves. The latter phenomenon could well influence issuance patterns from both sovereigns and companies alike. We remain wary of the lower-quality segments of the corporate debt universe such as sub-investment grade debt, which are likely to fare worse in the event of a market sell-off.

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. We have maintained a longer relative duration positioned and continue to rely on higher credit quality to enhance overall portfolio liquidity while preserving capital.

PERFORMANCE DISCRETE ROLLING 12 MONTHS	12 Months to 30/06/2021	12 Months to 30/06/2022	12 Months to 30/06/2023	12 Months to 30/06/2024	12 Months to 30/06/2025
Fund (B Class)			-0.1%	6.3%	4.9%
iBoxx Glo Green Soc Sust Bond Hdg TR GBP**			-2.2%	5.3%	6.4%
IA Global Corporate Bond			-0.1%	6.3%	5.6%
Sector Quartile			2	2	3

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

Past performance is not necessarily a guide to future returns.

*Inception Date: 24.01.2022

**This benchmark is a comparator against which the overall performance of the Fund can be measured. It has been chosen based on the Fund's multi-currency portfolio of debt instruments, the bulk of which possess a clear use of proceeds and as such are labelled Green, Social and/or Sustainable. The portfolio manager is not bound or influenced by the index when making investment decisions and the Fund's holdings may deviate from the benchmark's constituents.

***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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Firm Reference Number 527473.