Q1 2026 Commentary

# EdenTree Global Impact Bond Fund

| Performance | 3 months | 6 months | 1 year | 3 years | ITD* |
|---|---|---|---|---|---|
| Fund Performance (B Class) | -1.1% | 0.2% | 2.8% | 12.0% | -1.4% |
| iBoxx Glo Green Soc Sust Bond Hdg TR GBP** | -0.3% | 0.6% | 3.9% | 14.1% | -2.9% |
| IA Global Corporate Bond | -0.2% | 0.7% | 4.1% | 14.9% | 4.6% |
| Sector Quartile | 4 | 2 | 4 | 2 | 4 |

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested. Data as at 31.03.2026.
*Inception date: 24.01.2022

| Yields*** | |
|---|---|
| Distribution | 4.1% |
| Underlying | 3.6% |
| Historic | 3.6% |

Source: EdenTree. Data as at 31.03.2026

## Market review

Global sovereign bond yields rose sharply over the quarter, as the onset of conflict in the Middle East caused a surge in energy prices, raising inflation expectations and dampening hopes of near-term interest rate cuts. The geopolitical uncertainty left policymakers reluctant to signal near-term monetary policy stimulus, despite flagging likely downside risks to both growth and employment.

Most major central banks kept their monetary policy settings unchanged. In the US, the Federal Reserve held its benchmark rate target range at 3.50%-3.75%, with the Bank of Canada also maintaining its main interest rate at 2.25% over the period. The European Central Bank also left its benchmark policy rate unchanged at 2.00% as expected.

Globally, sovereign bond yields rose more considerably in shorter-dated tenors. UK bond prices fell the most, reflecting the country's perceived higher sensitivity to rising energy prices. Short-dated European sovereign bonds were also weaker, most notably Italian BTPs, as investors turned more hawkish amid expectations the Middle East conflict could last longer than initially anticipated.

Credit spreads widened modestly over the quarter from historically low levels, reflecting the broader decline in risk assets. While investor concerns increased around valuations in software-related lending, liquidity pressures have so far been more evident in private credit than public debt. The significant fall in underlying sovereign bond prices was the main driver of the market's underperformance in the period.

## Performance and activity

The Global Impact Bond Fund underperformed its iBoxx Global Green Social Sustainability benchmark and the IA Global Corporate Bond sector over the quarter. The Fund's higher interest rate sensitivity through its overweight allocation to sterling-denominated debt detracted from its relative performance, as gilt yields rose sharply in response to the energy price shock. This more than offset the benefit of an overweight allocation to US debt, which experienced smaller price declines than UK and European bonds.

Over the period, the Fund continued to reduce its interest rate sensitivity, trimming its exposure to both its European allocation and longer-dated gilts as stagflation risks increased.

The Fund initiated a position in Investec 10.5% perpetual (2029 call), which it funded by exiting its holding in Close Brothers 11.125% perpetual (2028 call).

To raise cash, the Fund sold its holdings in UK Treasury 0.5% 2061, US Treasury 3.625% 2053, German 2050 green bund, Axa 1.375% 2041 (2031 call) green bond, CaixaBank 3.625% 2032 social bond, Orange 2.375% 2032 sustainable bond and Lloyds 3.625% 2036 green bond. In addition, the Fund's holding in Prudential Financial 1.5% 2026 green bond matured over the period.

## Outlook

The outbreak of war in the Middle East has materially increased the risk of stagflation, with higher consumer price inflation driven by rising energy costs occurring alongside weaker economic growth. This dynamic is particularly apparent in the UK and Europe, which are net energy importers. A prolonged conflict and more persistent energy price shocks would further disrupt global supply chains, with potential production shutdowns materially weighing on economic activity.

The resulting upside risks to inflation limit central banks' ability to ease monetary policy, unless they are willing to look through such price pressures. In response, global yield curves have bear-flattened, with shorter-dated yields rising more sharply than longer maturities. Yields remain sensitive not only to energy price movements but also to labour market developments. Should policymakers face rising unemployment, there may still be scope for delayed interest rate cuts, assuming the inflationary impact is moderate. As a result, the case for higher interest rate sensitivity has weakened, even if the conflict were to be resolved swiftly.

Credit spreads have remained close to historic tights. While valuation concerns have emerged around software-related loans within parts of the private credit market, resulting in liquidity challenges for some retail investors, public credit markets have yet to reflect these stresses. Higher sovereign yields at shorter maturities continue to present value, with recently issued corporate bonds at these tenors retaining attractive due to higher all-in yields.

With market participants' focus having shifted to geopolitical developments in the Gulf region, less attention is being paid to fiscal dynamics such as budget deficits. Governments' abilities to tackle elevated fiscal spending at a time when economic growth may be constrained by exogenous factors is likely to keep longer-dated sovereign yields high. As such, we are increasing allocations to shorter and intermediate tenors, with a continued focus on higher-quality corporate debt at this stage of the credit cycle.

We remain vigilant in seeking out opportunities to add to high-quality credits and carry, scrutinising the robustness of business models and cash flows to ensure adequate compensation for risk. We have continued to moderate our longer relative duration bias towards neutral on increased inflation risks, with term structure also positioned to benefit from potential yield curve steepening. We continue to rely on higher credit quality to enhance overall portfolio liquidity while preserving capital.

| **Performance** Discrete Rolling 12 months | 12 months to 31/03/2022 | 12 months to 31/03/2023 | 12 months to 31/03/2024 | 12 months to 31/03/2025 | 12 months to 31/03/2026 |
|---|---|---|---|---|---|
| Fund Performance (B Class) | | -7.5% | 6.0% | 2.8% | 2.8% |
| iBoxx Glo Green Soc Sust Bond Hdg TR GBP** | | -9.7% | 5.7% | 3.9% | 3.9% |
| IA Global Corporate Bond | | -4.8% | 5.1% | 4.9% | 4.1% |
| Sector Quartile | | 4 | 1 | 3 | 4 |

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested.
*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 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 Annual Management Charge is 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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