EdenTree Global Impact Bond Fund

Q1 2025 Commentary

edentree investment management

PERFORMANCE

	3 Months	6 Months	1 Year	ITD*
Fund (B Class)	0.4%	-0.7%	2.8%	-4.1%
Markit iBoxx Global Green, Social and Sustainable GBP Hedged TR**	0.3%	0.1%	4.0%	-6.5%
IA Global Corporate Bond	1.3%	0.9%	4.9%	0.5%
Sector Quartile	3	4	3	3

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested.
*Inception Date 24th January 2022
Data as at 31.03.2025

YIELDS***

	Mar 2025
Distribution	3.80%
Underlying	3.25%
Historic	3.20%

Data as at 31.03.2025
Source: EdenTree.

MARKET REVIEW

Global yield curves steepened over the quarter; shorter-dated yields fell, as market participants anticipated interest rate cuts, and longer-dated yields rose, due to fiscal concerns. Central banks grew reluctant to commit to further monetary policy easing in the near term due to increasing policy uncertainty and ongoing geopolitical tensions.

The US Federal Reserve maintained its benchmark interest rate at 4.5%, signalling a gradual approach to policy easing. The European Central Bank cut its main interest rate by 25 basis points (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. The Bank of England cut its benchmark interest rate by 25 bps to 4.5% in February but then held rates at its March meeting, citing inflationary pressure and economic uncertainty as reasons for caution..

PERFORMANCE & ACTIVITY

The EdenTree Global Impact Bond Fund marginally outperformed its iBoxx Global Green Social Sustainability Index but lagged the IA Global Corporate Bond sector over the period. The fund's positioning in sterling and US dollars, where it was overweight, benefitted its performance during the period. The fund's positioning in longer-dated securities, where it was overweight and more sensitive to interest rates, adversely affected its performance, which offset positive contributions from its security selection.

The announcement that Europe will significantly increase fiscal spending on defence saw yield curves in the region steepen, with longer-dated tenors registering sharper price declines as compared to shorter maturities. Policy uncertainty rose considerably over the period from US import tariffs and potential retaliatory measures and their implications on growth, inflation and employment. Whilst market participants are still anticipating interest rate cuts, the timing of such policy actions has been pushed further out in 2025.

The fund took the opportunity to reduce positions in UK transit operator Motability and added to its position in the 0% 2033 Green Bund..

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 and increasing the chances of lower corporate earnings. Safe-haven assets such as sovereign debt are rallying. Credit risk premia are widening, after having tightened to 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.

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. Timing is key though. We maintain a cautious stance towards lower-rated, ‘higher-beta’ assets and a bias owards 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.

As such, we 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 albeit with term structure positioned to benefit from potential yield curve steepening and rate cut prospects. We continue to rely on higher credit quality to enhance overall portfolio liquidity whilst preserving capital.

PERFORMANCE DISCRETE	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)			-7.5%	6.0%	2.8%
Markit iBoxx Global Green, Social and Sustainable GBP Hedged TR**			-9.7%	5.7%	4.0%
IA Global Corporate Bond			-4.8%	5.1%	4.9%
Sector Quartile			4	1	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 24th January 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 benchmarks 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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For further information please speak to your normal EdenTree representative, visit **www.edentreeim.com** or call our support team on **0800 011 3821**

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