

EdenTree Short Dated Bond Fund

Q2 2025 Commentary



PERFORMANCE

	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Fund (B Class)	1.9%	3.1%	5.5%	11.1%	7.4%	-
iBoxx Non-Gilts ex BBB 1-5 TR GBP*	2.1%	3.5%	6.0%	10.5%	5.6%	-
IA £ Corporate Bond	2.5%	3.5%	5.7%	11.3%	0.0%	-
Sector Quartile	4	4	3	2	1	-

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

Data as at 30.06.2025

YIELDS**

Distribution	4.35%
Underlying	4.00%
Historic	3.47%

Data as at 30.06.2025

Source: EdenTree.

MARKET REVIEW

Short dated bond yields continued to fall over the quarter. There was also further yield curve steepening, 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 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 UK Gilts under 5-year yield began the period at 4.06% and fell to a low of 3.70% before ending the quarter at 3.76%.

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 bps in April and 25 bps in June, as headline inflation fell and corresponding price fears subsided. ECB policymakers remain data-dependent, but a growing number have signalled the rate-cutting cycle may be nearing its end.

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 EdenTree Short-Dated Bond Fund was behind its iBoxx Non-Gilts 1-5 years excluding BBB benchmark index over the period due to its shorter relative duration positioning. While the decline in credit spreads proved beneficial, notably in the utilities sector where the Fund has an overweight allocation compared to its benchmark, this was marginally offset by adverse credit selection in financials.

The Fund's allocation to lower-risk quasi-government debt contributed positively to performance; the higher credit quality of these bonds somewhat protected them from bouts of weaker market sentiment that tend to affect higher beta credits more.

EdenTree Short Dated Bond Fund

Q2 2025 Commentary



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 credit quality.

Over the quarter, the Fund initiated a holding in the newly issued Lloyds 5.25% 2031 bond and the World Bank 4.875% 2030 bond. It also added to existing positions in Municipality Finance 4.25% 2029 and Svenska Handelsbanken 4.625% 2032 (2027 call).

There were maturities of Unite 3.921% 2025 and National Gas Transmission 8.75% 2025.

The Fund sold positions in various securities, including International Finance Facility for Immunisation 2.75% 2025, ABN Amro 5.25% 2026, Northern Electric 7.25% 2028, DNB Nor Bank 4% 2027, ING Bank 1.125% 2028, Santander 5.125% 2030, Vicinity Centres 3.375% 2026, Land Securities 2.375% 2027, Scentre Group 3.875% 2026, Inter-American Development Bank 4.75% 2029, European Investment Bank 6% 2028, Compass Group 3.85% 2026, Council for Europe 4.25% 2026, Anglian Water 4.5% 2027 and Crédit Agricole 5.75% 2029.

OUTLOOK

With economic growth, employment and headline inflation data not yet reflecting possible disruptions to global trade, the rebound in risky assets suggests a sanguine stance by market participants. This could reflect that worst-case scenarios seem to have been averted for now. 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. Our investment approach continues to focus on good-quality short-dated credits with attractive yields.

EdenTree Short Dated Bond Fund

Q2 2025 Commentary



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)	1.2%	-4.5%	-2.4%	7.8%	5.5%
iBoxx Non-Gilts ex BBB 1-5 TR GBP*	0.7%	-5.1%	-3.7%	8.2%	6.0%
IA £ Corporate Bond	3.5%	-13.1%	-4.8%	10.5%	5.7%
Sector Quartile	4	1	1	4	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.

*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.

EdenTree Short Dated Bond Fund

Q2 2025 Commentary



This document has been prepared by EdenTree Investment Management Limited for Financial Advisors, other intermediaries and other investment professionals only. It is not suitable for private individuals. This document has been produced for information purposes only and as such the views contained herein are not to be taken as advice or recommendation to buy or sell any investment or interest thereto.

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.

For further information please speak to your normal EdenTree representative, visit www.edentreeim.com or call our support team on **0800 011 3821**

EdenTree Investment Management Limited (EdenTree) Reg. No. 2519319. Registered in England at Benefact House, 2000, Pioneer Avenue, Gloucester Business Park, Brockworth, Gloucester, GL3 4AW, United Kingdom.

EdenTree is authorised and regulated by the Financial Conduct Authority and is a member of the Investment Association.

Firm Reference Number 527473.