Q1 2026 Commentary

EdenTree Global Sustainable Government Bond Fund

Performance	3 months	6 months	1 year	3 years	5 years	10 years
Fund Performance (B Class)	-0.5%	0.3%	2.3%	-	-	-
Bloomberg Gbl Agg Treasuries TR Hdg GBP*	-0.3%	0.2%	2.3%	-	-	-
IA Global Government Bond	-0.1%	0.2%	2.1%	-	-	-
Sector Quartile	3	1	2	-	-	-

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

Yields**	
Distribution	3.0%
Underlying	3.0%
Historic	2.9%

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.

With the exception of the Reserve Bank of Australia, which raised its benchmark interest rate by 25 basis points (bps) at both its February and March meetings to 4.10%, other major central banks kept their monetary policy settings unchanged. In the US, the Federal Reserve (Fed) 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.

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.

The European Central Bank (ECB) maintained its benchmark interest rate at 2.00% in March, as expected, despite guiding towards marginally higher inflation and lower economic growth based on the economic impact of the war in the Middle East on commodity markets and confidence. The ECB also reaffirmed its data-dependent policy stance.

Performance and activity

The EdenTree Global Sustainable Government Bond Fund marginally lagged its Bloomberg Global Aggregate Treasuries Index and underperformed its IA Global Government Bond sector over the period. The Fund's underweight allocation to Chinese sovereign bonds, where it has no exposure, had an adverse impact on its performance as they rallied. Its overweight allocation to sterling-denominated debt, with gilts having sold off more than other developed market sovereign bonds on concerns around energy prices and inflation, also weighed on performance. The Fund's underweight allocation and lower interest duration in Japanese government bonds continued to contribute positively to performance as yields rose.

Cash subscriptions over the period were primarily invested by adding to existing holdings, with a focus on increasing our exposure to the UK and reducing our allocation to European sovereign debt. We also increased our exposure to Japanese sovereign debt, although we have maintained an underweight position here. Purchases included adding to holdings in UK Treasury 0.875% 2033 green gilt, UK Treasury 1.5% 2053 green gilt, International Finance Facility for Immunisation (IFFIm) 4.25% 2028 GBP social bond, Japan Government bond 1.3% 2035, Japan Government bond 0.8% 2034 and the Japan Government 0.7% 2033 Transition bond. The Fund also added a holding in the newly issued Community of Madrid 3.216% 2036 sustainable bond while also buying some Australia Government 2.5% 2030 and Australia Government 4.25% 2034 green bond.

Towards the end of the quarter, the Fund reduced its duration further by selling some of its longer-dated UK Treasury 3.5% 2068 debt in March, as stagflation risks rose.

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.

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' ability 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.

The Fund continued to reduce its overweight allocation to European sovereign debt in favour of UK and US-dollar-denominated assets. While the scope for interest rate cuts has reduced in both geographies, weaker growth and/or higher unemployment could well revive the chances of monetary stimulus.

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)	-	-	-	-	2.3%
Bloomberg Gbl Agg Treasuries TR Hdg GBP*	-	-	-	-	2.3%
IA Global Government Bond	-	-	-	-	2.1%
Sector Quartile	-	-	-	-	2

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 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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