

EdenTree Sustainable Sterling Bond Fund

Performance	3 months	6 months	1 year	3 years	5 years	10 years
Fund Performance (B Class)	-2.3%	0.6%	1.8%	19.0%	2.7%	24.4%
iBoxx GBP Non-Gilts TR*	-1.7%	0.9%	1.8%	15.8%	-3.3%	7.4%
IA £ Strategic Bond	-2.1%	0.5%	1.2%	19.7%	6.6%	26.9%
Sector Quartile	2	2	2	2	3	3

Source: Morningstar. Figures compared on a Bid to Bid basis with Net Income Reinvested. Data as at 30.09.2026

*As the Fund has greater exposure to corporate bonds over gilts, we compare the Fund's performance to the iBoxx GBP Non-Gilts Total Return Index. However, the portfolio manager is not bound or influenced by the index when making investment decisions.

Yields**

Distribution	5.1%
Underlying	4.6%
Historic	5.2%

Source: EdenTree. Data as at 30.09.2026

Market review

Global bond yields rose significantly over the quarter as hopes for a resolution to the conflict in the Middle East faded, pushing energy prices higher. As inflation expectations increased alongside energy prices, markets began to price in further near-term interest rate hikes, particularly towards the end of the period.

The UK 10-year gilt yield rose from 4.76% to close the period at a high of 5.42%. The Bank of England continued to hold its benchmark interest rate at 3.75% at both its July and September meetings, despite some policymakers voting in favour of a hike.

In the US, the Federal Reserve (Fed) unanimously raised its benchmark interest rate by 25 basis points (bps) to 3.75%-4.00%. Whilst the Fed acknowledged that economic activity had expanded at a solid pace in the face of heightened uncertainty, it noted inflation remained elevated compared to its 2% target. As such, an adjustment to its current "accommodative" stance was warranted. The European Central Bank (ECB) further raised its benchmark interest rate by 25 bps to 2.50% in September, citing inflationary pressures from the conflict in the Middle East. The ECB revised up its growth and inflation projections for 2027 and 2028.

Credit spreads widened modestly, notably in September. As energy price rises resumed, risk sentiment weakened, despite resilient economic growth and employment survey data.

Rising underlying gilt yields, along with wider credit spreads, weighed on corporate bond markets. The hawkish shift in sentiment, alongside mounting concerns around sovereign debt sustainability, were the principal drivers of market performance. Lower-quality credit underperformed as risk appetite softened, although corporate bonds still outperformed government bonds. Sovereign debt experienced a more pronounced repricing, particularly at longer maturities, as fiscal concerns intensified.

Performance and activity

The EdenTree Sustainable Sterling Bond Fund underperformed both its iBoxx Non-Gilts Index benchmark and the IA Sterling Strategic Bond sector over the quarter. The Fund's performance was primarily impacted by its higher interest rate sensitivity as gilt yields moved higher, particularly at the longer end of the yield curve.

The Fund's security selection detracted from performance, largely reflecting its exposure to longer-dated government bonds. Although this allocation was reduced over the quarter, the negative impact due to the higher duration of holdings here more than offset the positive contribution from the Fund's credit selection within the consumer non-cyclicals sector.

Credit spreads widened modestly over the period, leading lower-rated credit to underperform as risk premia increased relative to higher-quality credit. However, the biggest impact on performance came from rising gilt yields as markets priced in further benchmark interest rate hikes from major central banks.

Over the quarter, the Fund initiated positions in the newly issued Paragon Bank 6.5% 2036 (2031 call), Hiscox 5.875% 2031 and Rothesay 6.9932% 2037. The Fund also reduced its holding of the shorter-dated Legal & General 5.125% 2048 (2028 call) to add to Legal & General 6.625% 2055 (2035 call), adding modestly to duration and picking up yield.

To raise cash, the Fund trimmed various longer-dated gilt holdings, including UK Treasury 1.5% 2053 green gilt, UK Treasury 3.75% 2053, UK Treasury 4.25% 2046, UK Treasury 4.5% 2042, UK Treasury 4.75% 2038 and UK Treasury 4.625% 2037 green gilt. It also sold European Investment Bank 5% 2039 and European Investment Bank 3.875% 2037. In addition, a number of trades were executed around month-end to provide liquidity and facilitate a client's share class transition.

Outlook

Fiscal sustainability is becoming an increasingly important market theme across geographies. While geopolitical tensions remain a key source of uncertainty, bond markets are increasingly focused on elevated government debt levels, and their longer-term implications; higher refinancing costs; and continued bond issuance. Investors are responding by demanding greater compensation for lending over longer horizons, contributing to upward pressure on sovereign yields, despite early signs that growth is moderating across many developed economies.

Inflation remains the key variable for policymakers. Energy-related pressures and supply-side disruptions have the potential to keep inflation above target, yet softer demand and/or employment may exert downward pressure. As a result, major central banks are likely to remain data dependent, balancing inflation risks against signs of slowing growth. Policy divergence is also becoming more pronounced: the US economy continues to benefit from relatively stronger growth dynamics and greater energy independence, while the UK and Europe face a potent mix of weaker growth, higher energy prices and persistent fiscal pressures. This divergence may well create differentiated opportunities across underlying sovereign bond markets and influence relative-value decisions within global portfolios.

Credit markets have remained resilient despite higher yields and tighter financial conditions. Corporate fundamentals are generally supportive, refinancing activity has been orderly and default expectations for public credit are contained. However, with spreads close to historically tight levels, future returns are likely to be driven more by income generation and security selection than by further spread compression.

We continue to favour a disciplined and selective approach. Upward pressure on longer-dated sovereign yields reflects concerns around fiscal deficits, as elevated debt issuance coincides with weaker growth expectations, notably for the UK. We have reduced duration further by increasing our exposure to shorter and intermediate tenors while reducing our holdings of longer-dated gilts. The portfolio remains focused on higher-quality credit with strong cash flows and ample liquidity, with carry expected to remain an important driver of returns through the remainder of the year.

Performance Discrete Rolling 12 months	12 months to 30/09/2022	12 months to 30/09/2023	12 months to 30/09/2024	12 months to 30/09/2025	12 months to 30/09/2026
Fund Performance (B Class)	-18.1%	5.4%	12.4%	4.0%	1.8%
iBoxx GBP Non-Gilts TR*	-21.9%	7.0%	9.7%	3.7%	1.8%
IA £ Strategic Bond	-15.3%	5.2%	12.4%	5.2%	1.2%
Sector Quartile	4	2	2	4	2

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

*As the Fund has greater exposure to corporate bonds over gilts, we compare the Fund's performance to the iBoxx GBP Non-Gilts Total Return 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.

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 EdenTree representatives.
Or call our support team on 0800 011 3821**

Monday to Friday 9am to 5pm. We may monitor or record calls to improve our service.

Or visit us at
www.edentreeim.com

Proudly part of the BENEFACT GROUP 

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.

