

EdenTree Sustainable Short Dated Bond Fund

Performance	3 months	6 months	1 year	3 years	5 years	10 years
Fund Performance (B Class)	-0.8%	0.7%	3.6%	13.6%	8.1%	-
iBoxx Non-Gilts ex BBB 1-5 TR GBP*	-0.6%	1.0%	4.0%	14.1%	7.1%	-
IA £ Corporate Bond	-1.6%	0.8%	4.2%	15.4%	-0.1%	-
Sector Quartile	1	3	4	3	1	-

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

Yields**	
Distribution	4.6%
Underlying	4.6%
Historic	4.0%

Source: EdenTree. Data as at 31.03.2026

Market review

The onset of conflict in the Middle East triggered a sharp sell-off in bond markets in March, as surging energy prices lifted inflation expectations and effectively extinguished hopes of near-term interest rate cuts. As a result, short-dated sterling-denominated bond yields rose sharply.

The FTSE UK Gilts under 5-year yield began the period at 3.77% and fell to a low of 3.61% in February, before rising to a high of 4.48% in March and ending the period at approximately 4.35%. The Bank of England voted unanimously to hold its benchmark interest rate at 3.75% in March.

The US Federal Reserve (Fed) also held its benchmark interest rate as expected at the target range of 3.50%-3.75% while highlighting that upside risks to consumer price inflation remained elevated due to heightened geopolitical risks and tariff impacts. This reinforced a more hawkish market tone, with investor expectations shifting towards fewer interest rate cuts. The European Central Bank also left its benchmark rate unchanged at 2.00% as expected, noting that higher energy costs were likely to weigh on both inflation and economic growth.

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. Shorter-dated bonds outperformed due to their lower interest rate sensitivity, despite yields rising more sharply at the short end of yield curves than for longer-dated maturities.

Performance and activity

The EdenTree Sustainable Short Dated Bond Fund marginally lagged its iBoxx Non-Gilts 1-5 years excluding BBB benchmark over the period but outperformed the IA Sterling Corporate Bond sector. Early in the quarter, the Fund's shorter duration positioning detracted from relative performance. However, it proved beneficial in March, as bond prices fell amid reduced expectations for interest rate cuts.

While credit spreads widened marginally over the quarter, risk premia in corporate debt remained close to historic tights. As such, the rates component of the Fund's portfolio was the principal driver of its underperformance, with holdings around the 5-year maturity underperforming. This more than offset the positive contributions from the Fund's overweight allocation to the financial sector.

Over the quarter, the Fund initiated positions in the newly issued Met Life Global Funding 4.5% 2030, Inter-American Development Bank 4% 2031, Export Development Bank 3.875% 2030, Pacific Life 4.75% 2032 and Swedbank 4.625% 2031 green bond. It also bought some Places for People 5.5% 2032, Aviva 4% 2032 (2031 call), Zurich 5.125% 2052 (2032 call) and IFFIM 4.25% 2028 social bond.

To reduce the Fund's interest rate sensitivity, it also bought some Leeds Building Society 4.22% 2031 covered Floating Rate Note (FRN), Bank of Nova Scotia 4.33% 2031 covered FRN, Lloyds 4.22% 2030 covered FRN, Bank of Nova Scotia 4.21% 2028 covered FRN, BNG Bank 0.5% 2026, Handelsbanken 4.625% 2032 (2027 call), Realty 1.125% 2027 and London Metric 4.5% 2029.

The Fund sold its holdings in Hiscox plc 6% 2027, SSE plc 8.375% 2028, Assura 3% 2028, HSBC Bank 5.29% 2032, Lloyds Bank 5.25% 2031, Nationwide 5.532% 2033, Places for People 5.375% 2032, IFC 3.875% 2030, IBRD 4.125% 2030 and Export Development Bank Canada 3.875% 2030.

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 remaining 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 sovereign yields high. As such, we are increasing allocations to shorter tenors and have upped our floating-rate-debt exposure, 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, scrutinising the robustness of business models and cash flows to ensure adequate compensation for risk. More recently, we have favoured opportunities in the primary markets, where bonds were offered with some new-issue premia. Our investment approach continues to focus on good-quality short-dated credits with attractive yields.

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)			-2.5%	-2.4%	5.2%	4.3%	3.6%
iBoxx Non-Gilts ex BBB 1-5 TR GBP*			-3.1%	-3.1%	4.9%	4.6%	4.0%
IA £ Corporate Bond			-4.4%	-9.4%	7.3%	3.2%	4.2%
Sector Quartile			1	1	4	2	4

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

*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 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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Firm Reference Number 527473.

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