

# Global Strategic Bond Fund



► Core. Nimble. Proven.

March 2026 Commentary

ISIN for Class D Acc USD: IE000H9BC817 | ISIN for Class D Inc GBP hedged: IE000TEXPBZ5

MARKETING COMMUNICATION

## Our investment approach

- Actively managed, core global bond portfolio focused on developed market liquid issuers, in hard currency.
- Nimble decision-making driven by valuations, fundamentals and technicals.
- Alpha generation through relative value, duration and credit selection.

## Portfolio Management Team



**Alex Ralph**

**Co-portfolio Manager**

26 years in the industry



**David Roberts**

**Co-portfolio Manager**

36 years in the industry

*What do we mean by core and nimble? Inside, we share the fund's return drivers, portfolio positioning and put the spotlight on a bond bought/sold.*

## Performance and markets

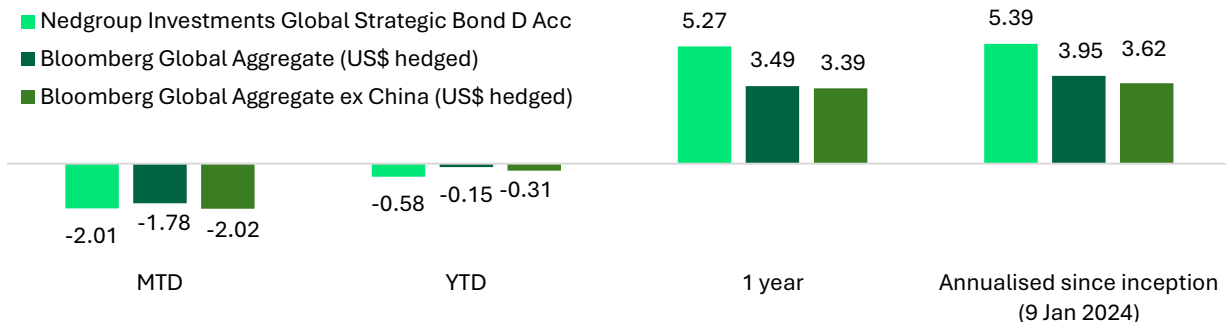
By the end of February, we noted the rising likelihood of an Iran/US conflict and that credit and rates markets looked expensive in the short term, as highlighted by the strong total return over that month.

We entered March with less duration risk and credit exposure than is typical for the fund. That positioning did not prevent total return losses but despite running a mandated "pro carry" portfolio, we were able to find sufficient alpha opportunities to offset our natural overweight credit beta position. How? Volatility helped. We used it to actively increase and decrease duration as value shifted, and our focus on better quality, more liquid credit gave us the flexibility to avoid the worst performers and gently rotate between credits when the time was right.

It's never good to lose money. In part though, that is payback after February's exuberance. It is encouraging that, even with a similar strategy to that which made us nearly 3% relative to index last year, we were still able – at least for March - to offer slight (net) return ahead of index.

### Fund performance

Past performance is not indicative of future performance and does not predict future return.



Data as at 31 March 2026. Fund returns are in US\$ based on Class D Accumulation. Bloomberg Global Aggregate Total Return Index (hedged to US\$) and Bloomberg Global Aggregate ex China Total Return Index (hedged to US\$). Source: Morningstar, Bloomberg. The share classes being offered in Germany are newly launched and do not have their own historical performance data. The performance information presented in this marketing material relates to the nearest comparable share class and is provided solely for indicative purposes. Differences in fees, and other factors may affect future performance. Investors should not rely solely on this information when making investment decisions.

## Key return drivers

Over the month, the fund returned -2.01%, Bloomberg Global Aggregate (US\$ hedged), -1.78% and Bloomberg Global Aggregate ex China (US\$ hedged), -2.02%.

The excess return has been attributed vs Bloomberg Global Agg ex China using a top-down methodology:

Total excess return for the month (net vs Bloomberg Global Agg ex China): +1 bps		
Contribution		Positioning comments
Duration	+22bps	What we lost being "underweight" in February we made back in March. Additional gains came from accurate timing and opposing short-term extreme moves.
Curve	+3bps	We closed down the "steepener" trade that contributed significantly to 2025 returns. Markets reversed and we made a small gain. However, more pleasing was the decision to change tack, combining valuation with technicals around Dutch Pension Reform.
Geography	-5bps	A small negative, given our underweight position in Japan which fell less than Western markets. However, that masks our success in switching from 30- to 10-year Japanese government bonds.
Asset allocation	-27bps	A times it felt a brutal month for higher risk assets. Asset allocation just reflects our average weight versus global index. That gives a larger impact than reality as our raw weight had a lower "beta" thanks to better quality and shorter duration than typical.
Credit sector/ security selection:	+8bps	We held the best performing sectors – energy and utilities – and had little in the worst performing – real estate, autos and sub financials. Consequently, the majority of our holdings held up better than the market. We had a couple of names whose spreads did widen materially, Ziggo (telco) and Allwyn (lottery and very short dated) but this was compensated by a position in Tereos which rallied significantly on a recovery in sugar prices.

## Positioning recap and outlook

Total portfolio: Yield = 4.7% (% exc. futures), Duration = 5.9 years, ESG rating: A

Rates (yield = 4.0%, duration = 4.8 years)

Positioning in sovereign bonds	Fund	Expected fund range	Index
	36% (61% inc. futures)	30% - 40%	53%
Investment perspectives	<b>Valuation</b> Cheap. All depends on longevity of Hormuz, energy prices etc, but likely to have way too much priced in relative to long-run CPI.	<b>Fundamentals</b> Energy impact: CPI v GDP? Short-term bond negative, longer term clearly positive.	<b>Technicals</b> Skittish, volatile market. Lovely. Easy to pick off others who appear as rabbits in headlights creating wild market swings.

- The energy spike meant a material rise in yields.
- Markets moved from expensive to cheap over a short time.
- Late month rebound as rate hike expectations faded; focus moved from CPI to declining GDP/employment.

Contribution data and positioning information as of 31 March 2026. Yield shown is yield to worst. Source: Nedgroup Investments. Valuations are based on a medium-term outlook. For government bonds, this is determined by market returns (beta) relative to inflation/inflation expectations and real growth. For corporates, this is determined by adjusting expected excess returns for risk (default and volatility). Valuation based strategic positioning may be adjusted for shorter term technical or fundamental economic factors.

Credit (IG: yield= 5.2%, duration = 4.9 years, HY: yield= 7.0%, duration = 3.7 years)

Positioning in corporate bonds	Fund	Expected fund range	Index
		Investment grade: 44%	20% - 60%
	High yield: 14%	20% - 30%	0%
Investment perspectives	Valuations	Fundamentals	Technicals
	Spreads continued to widen on the back of the Iranian conflict. Overall, credit remained low beta however and so spreads have yet to widen enough to compensate for the economic unknowns ahead. There are pockets of value emerging however – esp in European high yield..	Fundamentals continue to remain strong but there will be diverging trends amongst sectors especially in a prolonged supply oil shock.	Defensive positioning and high cash levels cushioned the market from significant spread widening. Outflows towards the end of the month did create some selling but relatively muted. Supply was contained but will return to the market.

\*"Pure" IG credit. Add in Structured, Agency and EM and the index has 47%

- Liquidity became an issue for the market towards the end of the month. As markets reacted day-to-day on headlines, most credit investors sat back as high cash levels prevented forced selling. The market does feel a little precarious, however, and very dependent on whether outflows continue.
- Primary market gave us an opportunity to add new credits as new issue premiums were significant during the middle weeks of the month. We rotated out of secondary names for decent spread pick up without changing the credit beta of the fund.

## Portfolio changes and where next

We ended February with less duration than index and less credit risk than typical. We were correct to do so, although this was driven more by poor short-term value than fear of an energy spike. It is amazing how often a value driven process proves to be supported by "events". At the end of March, we had roughly 25% more interest rate risk than at the end February. Credit risk remained much the same. That pattern reflects cheap sovereign bonds for optimistic economic outcomes, with credit cheaper but still nowhere near recession levels.

How the portfolio evolves, will clearly depend on the impact of macro events on pricing. At present, we do expect central banks to "look through" CPI to an extent. If that changes, we will get shorter rate risk very quickly.

## Spotlight on an issuer: Baker Hughes

- Baker Hughes (BH) is a leading provider of products and services for oil and gas production with a sizeable industrial business that will account for the majority of revenues following the acquisition of Chart Industries.
- **Fundamentals:** The \$13.5bn acquisition of Chart will result in leverage increasing from 0.5x to mid 2x. BH are targeting a reduction to the 1-1.5x within two years whilst aiming to maintain the A rating profile. The deleveraging prospects are strong given the combined business should generate north of \$2.5bn in free cashflow annually. Despite a sizeable Middle East exposure, this can be offset by the business becoming a beneficiary of longer term investments in the higher price environment.
- **Valuation:** BH issued \$10bn across Dollars and Euro bonds to finance the acquisition, New issue concession was double digits. We allocated to the 8-year Euro tranche which tightened over the month, outperforming the broader market by 20bps.
- **Technicals:** This was a debut issue for BH in Euros against a pretty volatile macro backdrop. The appetite for single A paper has been elevated given the broader valuation backdrop. This, coupled with the sizeable new issue concession, meant books were well over-subscribed.

*Contribution data and positioning information as of 31 March 2026. Yield shown is yield to worst. Source: Nedgroup Investments*

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## What to watch out for next month

### Rates:

Will oil remain in focus?

If Trump walks away from his Iranian mess without resolving Hormuz, does it matter?

\$100 per barrel (but stable) is fine, a tax on GDP and a short-term CPI impact.

Hopefully by the time I write next month's report there has been an end to the bloodshed.

### Credit:

The big question for April is whether outflows will pick up. If we see continued leakage from credit assets then technicals could start to crack. Higher all-in-yield will probably prevent large sustained outflows but only time will tell.

We will continue to look for value and engage in sector rotation as further geopolitical headlines provides greater opportunities. Pockets of value are starting to emerge.

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## Contact us

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