

Please note that the commentary is for the US dollar retail class of the Fund. The feeder Fund is 100% invested in the underlying US dollar Fund. However, given small valuation, trading and translation differences for the two Funds, investors should expect differences in returns in the short term. Over the long term, we aim to achieve the same outcome in US dollar terms for both Funds.

Asset class performances

The third quarter of 2025 was marked by shifting global growth sentiment, persistent political uncertainty in the US, and a renewed divergence across major central banks. While the early Northern Hemisphere summer months were characterised by rising optimism around disinflation and soft-landing dynamics, September saw a material reassessment: US political brinkmanship over fiscal policy and signs of slowing European activity drove demand for defensive assets, while Japan continued to confront the realities of policy normalisation. Overall, global sovereign yields diverged meaningfully, inflation-linked bonds outside the US remained under pressure from shifting real rate expectations. At the same time, spread products and emerging market (EM) fixed income assets continued to perform strongly, even as starting valuations at the onset of the quarter were already quite challenging in most instances.

Against this backdrop, the Fund returned 1.18% for the quarter against the benchmark return of 1.22%.

After an extended pause since December 2024, the Federal Open Market Committee lowered policy rates again (upper target from 4.5% to 4.25%) in September. Concern around a weakening labour market was the prime motivation, offsetting lingering inflation risks. But while the Federal Reserve's (the Fed) conduct of monetary policy remained data driven and orthodox, the political pressure placed on the central bank by the Trump administration ramped up in Q3. Aside from persistent, public demands for looser monetary policy from the White House, nomination and governance pressures on the institution escalated. The market remains convinced of the Fed's credibility; however, anxiety around the longer-term independence of the central bank is unlikely to dissipate anytime soon.

US Treasuries rallied into quarter-end, with the 10-year yield falling from ~4.45% in July to ~4.15% by late September (-30 basis points [bps]). The move reflected cyclical fears, investor hedging around potential government shutdowns, and demand for safe assets despite fiscal concerns. In contrast, core European yields drifted higher. The 10-year Bund closed at ~2.7% versus 2.55% in June (+15 bps), reflecting resilience in eurozone services activity even as manufacturing stagnated. Peripheral spreads widened modestly, with French OATs (fungible Treasury bonds) underperforming amid renewed political tension. UK gilts fared worst: sticky services inflation and fiscal doubts pushed the 10-year to ~4.75% (+35 bps quarter-on-quarter [q/q]), while the 30-year briefly tested 5.7%, levels unseen since the late 1990s. Japan was the clear outlier: as the Bank of Japan maintained its cautious normalisation path, the 10-year lifted to 1.65% (+20 bps) and the 30-year climbed above 3.1%, a multi-decade high, as repatriation flows and supply concerns weighed.

Inflation-linked markets in the US had a reasonable quarter, gaining 2.1% overall and taking the YTD gains for the asset class to 6.9% (9.3% annualised). Real yields were modestly lower q/q, with the two-year ending September at 1%; the 10-year at 1.78% and the 30-year at c. 2.5%. European linkers underperformed as breakevens narrowed on weak growth sentiment; German 10-year real yields edged higher to c. 0.75%. The UK linker market was hit particularly hard, with the 10-year real yield rising from c. 1.4% to c. 1.6%, leaving the overall linked gilt market down 1.3% on the quarter. Japanese linkers fared badly, with real yields shifting up sharply in the quarter, even as most remained within negative territory by quarter-end.

Hard currency EM debt posted strong gains: the J.P. Morgan EMBI Global Diversified rose 4.75% on the quarter, taking the YTD return to 10.7%. The quarter was characterised by compressing spreads, from c. 320 bps to c. 280 bps, taking spreads to levels last seen pre-Covid. Investment Grade EM

sovereigns delivered +4%, while High Yield outperformed at +5.5%, led by distressed credits staging recoveries. Abu Dhabi's record-tight \$2bn 10-year issue at +18bps over US Treasuries underscored strong demand for quality EM risk. Argentina was the key underperformer: fiscal uncertainty and reduced IMF visibility drove its spread premium to over 1 400bps at one stage, with bonds down c. -18%.

Local currency EM debt saw greater volatility in performance relative to more persistent periods of gain earlier in the year. The J.P. Morgan GBI-EM Index delivered 2.8% with coupons (+1.4%), capital gains (+1%) and FX returns (+0.4%) all pulling in the same direction. Colombia (+11%) and South Africa (+10.2%) were the big gainers on the quarter here, with both markets seeing strong performances from bonds themselves, as well as good currency runs. There were only two country detractors across the quarter (Chile -2.4% and India -3%) in US dollar terms.

US Investment Grade (IG) credit produced solid positive returns (Total Return: +2.6%, Excess Return: +1.0%), with spreads compressing modestly over the quarter from c. 85bps to 75bps. US High Yield (HY) produced relatively similar returns overall: Total Returns of 2.4% and Excess Returns of +1.1%. European credit lagged, weighed by weaker growth; Euro IG returned +0.9% while HY delivered total returns of 1.8%, most of which came from further spread compression (Excess Return: +1.7%). Spread products globally generally saw further spread compression in Q3 – often to levels not seen for years.

Global REITs staged a partial recovery after a difficult Q2. The FTSE/EPRA NAREIT Global Index gained +4.3% in Q3 (YTD +11.3%). Falling US yields supported property-linked valuations, while Asian REITs benefited from a stabilisation in office demand. However, UK and European REITs underperformed, constrained by elevated financing costs and weak consumer sentiment.

Fund activity

With respect to Fund activity over the quarter, as is mostly the case, the bulk of transactions related to the recycling of existing exposures that had drifted into modestly expensive territory and replaced by new issues perceived to be relatively cheaply priced. This tends to occur within the higher-rated credit buckets involving short-dated issues (usually one to three years). There is also the natural recycling of maturing issues, given that the Fund tends to have a meaningful and continuous liquidity ladder spanning from one quarter to the next.

With valuations already proving challenging across spread asset markets at the beginning of the quarter, continued spread tightening provided further grounds to continually ease off from credit risk in the Fund. Thus, while the usual relative-value recycling activity within the Fund occurred, the ratio of new additions to sales/redemptions was deliberately dialled back. This served to reduce the Fund's aggregate credit risk exposure over the quarter.

However, the combination of reduced credit and interest rate risk taken in the Fund, alongside really quite attractive openings within certain global REIT markets paved the way for the Fund to both increase and diversify its exposure to listed property assets. Additions were made across different geographies and property sectors. The net result was an elevation of the Fund's net property risk to levels not seen in several years.

Portfolio managers

Nishan Maharaj and Seamus Vasey
as at 30 September 2025