EUR Investment Grade Credit Fund

OBJECTIVES AND PROCESS

- Seeks total return, maximising investment income whilst preserving capital
- Invests at least two-thirds of its assets in investment-grade euro-denominated credit debt securities
- Invests at least two-thirds of its total assets in issuers that have a proprietary overall ESGiQ score that is favourable by meeting the threshold specified in our methodology and will exclude issuers that have less favourable or those that do not have an ESGiQ score, such as sovereign issuers, cash, derivatives and investments in underlying funds
- Uses fundamental credit research combined with active top-down allocation decisions within a controlled risk framework, seeking to generate superior investment returns
- Uses a negative screen to exclude securities issued by companies based on their exposure to ESG risks
- Targets a carbon intensity that is lower than the benchmark
- May invest:
  - Up to one-third of its assets in currency-hedged non-euro-denominated debt securities and debt securities rated below investment grade
  - Up to 20% of its assets in asset-backed securities
  - In derivatives for hedging, efficient portfolio management or for investment purposes provided credit default swaps are covered

KEY RISKS

Contingent Convertible Bonds Risk: These instruments can be converted from debt into equity because of the occurrence of certain predetermined trigger events including when the issuer is in crisis resulting in possible price fluctuations and potential liquidity concerns. **Currency Risk:** currency exchange rates may fluctuate significantly over short periods of time and can be affected unpredictably by intervention (or the failure to intervene) by relevant governments or central banks, or by currency controls or political developments. **Debt securities risk:** debt securities are subject to credit risk and interest rate risk and are affected by an issuer's ability to make interest payments or repay principal when due. **Asset-backed securities risk:** asset-backed securities may be more sensitive to changes in interest rates and may exhibit added volatility, known as extension risk, and are subject to prepayment risk. **High yield securities risk:** high yield securities are rated below investment grade, are predominantly speculative, have a much greater risk of default and may be more volatile than higher-rated securities of similar maturity. **ESG risk:** applying an ESG screen for security selection may result in lost opportunity in a security or industry resulting in possible underperformance relative to peers. ESG screens are dependent on third-party data and errors in the data may result in the incorrect inclusion or exclusion of a security. **Geographic concentration risk:** investments concentrated in specific geographic regions and markets may be subject to greater volatility due to economic downturns and other factors affecting the specific geographic regions. **Global investment risk:** securities of certain jurisdictions may experience more rapid and extreme changes in value and may be affected by uncertainties such as international political developments, currency fluctuations and other developments in the laws and regulations of countries in which an investment may be made. **Leverage Risk:** the use of certain types of financial derivative instruments may create leverage which may increase share price volatility.

Calendar-year performance (%)

Past performance is not indicative of future results.

	2024	2023	2022	2021	2020	2019	2018
Class I (EUR) (19 Jun 2017)*	5.29	8.32	-14.69	-1.00	3.48	7.12	-2.24
ICE BofA Euro Corporate Index (EUR)[1]	4.66	8.02	-13.94	-1.02	2.65	6.25	-1.14

Performance (%)

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since incep.
Class I (EUR) (19 Jun 2017)*	-1.03	0.03	0.03	4.35	0.91	1.42	–	0.79
ICE BofA Euro Corporate Index (EUR)[1]	-0.93	0.15	0.15	4.40	0.94	1.05	–	0.64

Past performance is not indicative of future results. Performance calculations are net of all applicable fees and are calculated on a NAV-to-NAV basis (with income re-invested). Performance shown is for class and currency indicated and returns may increase/decrease as a result of currency fluctuations. *Share class inception date

Performance

The fund returned -1.03% in March on a net basis, versus the ICE BofA Euro Corporate Index which returned -0.93%, an underperformance of 10 basis points (bps). Over the first quarter, the fund returned 0.03% on a net basis, underperforming the index by 12 bps.

Spreads were modestly tighter over the quarter, despite weakness late in the period. They closed the quarter 6bps tighter at 95bps. Excess return over the period was 0.53%, while the total return came in at 0.15%. Total return was impacted by a sell-off in duration which pushed the yield on the German 10-year government bond up 38bps to 2.74%.

Macro Review

"It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of light, it was the season of darkness, it was the spring of hope, it was the winter of despair."

Charles Dickens, *"A Tale of two cities"*

Credit spreads in March moved wider as uncertainty from the US Administration reached a crescendo ahead of the "Liberation Day" tariff announcements scheduled for the day after April Fools' Day.

Despite the on-off nature of the tariffs earlier in the quarter, uncertainty began to creep into US equities (lower prices) and the treasury market (lower yields on fears of lower growth) towards the end of the quarter as it became clear that tariffs and retaliatory tariffs were likely to be more permanent. The uncertainty has begun to feed into economic data with US March Consumer Confidence coming in at 92.9 (estimated at 94).

The main development over the quarter for Europe was the decision by many countries to build up their military capabilities in response to ongoing uncertainty in the Russia/Ukraine peace negotiations and the message that the US administration will put "America First" as promised by Trump during the election campaign.

To this end, Germany's conservative leader, Friedrich Merz, announced a boost to spending on defence, civil protection and intelligence, with spending over 1% of GDP exempt from debt restrictions. A EUR 500 billion infrastructure fund for additional investment over 10 years including EUR 100 billion to cover climate protection initiatives

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GENERAL FUND INFORMATION

Portfolio managers: Henrietta Pacquement, CFA®; Alex Temple; Christopher Burrows, CFA®; and Mark Cole

Benchmark: ICE BofA Euro Corporate Index (EUR)[1]

Fund inception: 19 Jun 2017

Management approach: Actively managed

Sustainable Finance Disclosure Regulation: Article 8[†]

and additionally, German States will be allowed to borrow up to 0.35% of GDP above the debt limit. European leaders also unlocked plans for a combined EUR 800 billion in European military spending. Given the magnitude of the spending plans, European government bond yields moved higher with the German 10 year bond moved 30bps higher in one day alone, the largest one day move in German yields since the fall of the Berlin wall. This in turn led to a large outperformance of European equity markets versus the US and followed through into the European PMIs with the composites beating expectations in France, Germany and the EU Bloc as a whole.

On the central bank side, the Federal Reserve held the benchmark rate in the 4.25%-4.50% target range with the median forecast indicating 50bps of rate cuts in 2025. Policy makers indicated that uncertainty around the economic outlook had increased and reduced the 2025 growth projection whilst at the same time, marking up inflation.

The Bank of England voted 8:1 to maintain their key interest rate at 4.5% citing a "gradual and careful" approach to easing with Governor Baily indicating that rates are on a "gradually declining path".

Bucking the trend, the ECB cut the deposit facility rate by 25bps to 2.5% indicating that rates are becoming "meaningfully less restrictive" with President Lagarde adding that inflation is set to reach 2% very early in 2026.

(Asset Class) Review

Given the rosier outlook for European corporates, European IG credit spread outperformed US credit spreads over the quarter with Services and Autos outperforming. Despite strong performance at the start of the year real estate spreads lagged as higher yields fed into equity valuations and then into credit spreads. Hybrids and High Yield also underperformed in spread terms on fears of an all-out global trade war.

EUR Investment grade corporate primary markets saw €95.6bln of supply throughout Q1 2025 a drop of 13% versus Q1 2024. Financial supply as up 10% versus the same period, coming in at EUR 115.5 bln. GBP denominated corporate senior supply was down 30% vs Q1 2024 whilst Financials supply was also up 48% versus Q1 2024 at £11bln.

Attribution

In the quarter, credit contributed 0.04% to relative performance whilst the strategies interest rate exposure was flat (shift 0.03% and twist -0.03%). The allocation effect at a sector level was -0.13%, with security selection contributing 0.17%.

The funds overweight exposure to communication was the top contributing sector, adding 0.02% (allocation effect: 0.00%; selection effect: 0.03%). The funds consumer, cyclical exposures also performed well, adding 0.01% to relative performance (allocation effect: 0.00%; selection effect: 0.01%). Cyclicals were supported by spending and growth upgrades following Germany's announcements.

Exposure to banking names most significantly underperformed over the quarter, down 0.02% (allocation effect: 0.00%; selection effect: -0.02%). The funds underweight allocation to government owned but no guarantee names also weighed on performance, as investors allocated to more defensive pockets of the market, losing 0.02% from relative performance (allocation effect: -0.01%; selection effect: -0.01%).

SES, a global communication services company, was among the top individual performers over the quarter, despite considerable selling in January. SES had traded lower on risks posed by well capitalized US competitors transforming the competitive landscape. SES's February result was a positive one, reporting revenue in line and EBITDA beat helping to reassure investors. SES has also been supported by a shift in sentiment against US based corporates. Computershare exposure was also among the top

[†]Promotes environmental and social characteristics but does not have a sustainable investment objective.

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performers over the quarter. Computershare reported strong EPS growth and upgraded FY25 EPS guidance by 15%.

Johnson and Johnson was one of the larger detractors over the period. A new issue to help fund the acquisition of Intra-Cellular Therapies weighed on the name. They remain on negative watch at S&P and we suspect they will be downgraded to AA+.

Outlook

The recent tariff announcement has exceeded economists' expectations, leading to a significant remarking of risk assets. It is likely that these policy changes will negatively impact global growth and may contribute to an inflationary impulse, further complicating the efforts of central banks worldwide. Importantly, corporate fundamentals remain relatively stable. Recent earnings growth has been positive, and balance sheets are well-capitalised. While tariffs will undoubtedly impact earnings, the strong starting point should support continued strength in corporate fundamentals.

Whilst an organic cyclical recovery has emerged in Europe, prospects remain fragile and renewed political uncertainty introduces additional downside risk. A partial recovery of the European consumer, owing to trailing real wage gains, is underway; reflected in surveyed consumer confidence. However, household consumption trends remain, so far, subdued (food retail volumes and large discretionary purchase activity remains depressed) – which notably disappointed in H2 2024. Risks may be partially mitigated by the capacity for the ECB to cut rates.

A tariff related remarking of investment grade credit will likely create opportunities to add risk and more attractive levels of spread. It seems there is still some runway for weakness to continue in the near term, however, we will look to exploit opportunities where we feel the risk return dynamics have become compelling.

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