

**Managers**

James Athey &
Niall McDermott

Date

15/07/24

Capital is at risk.
Please read full risk
warning at the end
of this document.

Monthly Commentary: July 2024

Bond Income

- ▶ Cautious approach designed to capture upside while limiting effects of market falls
- ▶ Unconstrained strategy – invests in government and corporate bonds globally
- ▶ Portfolio is diversified by geography, credit rating and duration

The fund returned +0.02% over the second quarter of 2024, modestly underperforming the IA Sterling Corporate Bond sector return of +0.10%.

Market Review

Volatility in bond markets was evident once again as investors and policy makers struggled to interpret incoming economic data and thus form accurate expectations for the future path of growth, inflation and monetary policy. Despite this, yields largely ended somewhat higher over the period.

While none of the world's most significant central banks have cut interest rates yet, some of the smaller developed market central banks began this process towards the end of the period. The Swiss National Bank, the Riksbank in Sweden and the Bank of Canada have now all begun their easing cycles with more cuts expected from all. Many emerging market central banks had also already begun their easing cycles.

Corporate bond markets exhibited greater volatility and some weakness during the quarter – largely in response to political events in France. The right-wing victories in the European Elections led President Macron to call a snap election with the decisive second round to take place in early July. The shock of the announcement, and fears about the extent of popular support for extreme parties of the left and right, saw a dramatic negative repricing of risky assets across Europe and France in particular.

Fund Performance and Activity

The fund maintained a 100% weighting to corporate bonds denominated in GBP over the quarter. Activity was focused on the reduction of credit risk as we anticipate a less risk-asset friendly environment as we approach the end of the economic cycle. Notable sales included **Volkswagen**, **Wells Fargo**, **Investec** and **IG Group**.

Market Outlook

Like other investors we have, at times, found it difficult to credibly weave all the new information on the economy into a credible and complete narrative. It seems highly likely that we have continued to observe disruption resulting from the pandemic and its aftereffects – not only in terms of data direction, interplay and magnitude but the quality of that data too.

Notwithstanding this fact, our analysis and assessment continues to suggest several key considerations. Firstly, that we are late in the economic cycle and as such we anticipate slowing growth, weakening labour markets and ultimately falling wage growth and inflation. The timings remain uncertain, but the direction of travel seems clearer. Secondly core government bond yields are attractive relative to the rich valuations (price-to-earnings ratios) observed in equity markets and corporate bond markets (tight spreads).

Data source:
Morningstar and
Marlborough.

The combination of these conclusions informs our belief that a more defensive posture is warranted as we move through the second half of this year and the major central banks begin easing policy in the face of weaker economies.

Risk Warnings

Capital is at risk. The value and income from investments can go down as well as up and are not guaranteed. An investor may get back significantly less than they invest. Past performance is not a reliable indicator of current or future performance and should not be the sole factor considered when selecting funds. Our funds invest for the long-term and may not be appropriate for investors who plan to take money out within five years. The Fund has exposure to bonds, the prices of which will be impacted by factors including; changes in interest rates, inflation expectations and perceived credit quality. When interest rates rise, bond values generally fall. This risk is generally greater for longer term bonds and for bonds with perceived lower credit quality. The Fund invests in other currencies. Changes in exchange rates will therefore affect the value of your investment. Bonds that produce a higher level of income carry greater risk that the issuer will not be able to pay the income or repay the capital at maturity. In certain market conditions some assets may be less predictable than usual. This may make it harder to sell at a desired price and/or in a timely manner. In extreme market conditions redemptions in the underlying funds or the Fund itself may be deferred or suspended. The insolvency of any institution providing services, such as safekeeping of assets or holding investments with returns linked to financial contracts (known as derivatives), may expose the Fund to financial loss. The Fund may enter into various financial contracts (known as derivatives) in an attempt to protect the value of the Fund's assets or to reduce the costs of investing, although this may not be achieved.

This material is for distribution to professional clients only and should not be distributed to or relied upon by any other persons. It's provided for general information purposes only and is not personal advice to anyone to invest in any fund or product. Information taken from trade and other sources is believed to be reliable, although we don't represent this as accurate or complete and it shouldn't be relied upon as such. Calls will be recorded for training and monitoring purposes.

Regulatory Information

Issued by Marlborough Investment Management Limited, authorised and regulated by the Financial Conduct Authority (FRN115231). Registered in England No. 01947598. Investment Fund Services Limited (IFSL) is the Authorised Fund Manager of the Fund. IFSL is registered in England No. 06110770 (FRN 464193). Both firms are authorised and regulated by the Financial Conduct Authority in the UK. Registered Office: Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP.

Copies of the Prospectus and Key Investor Information Documents are available from www.ifslfunds.com or can be requested as a paper copy by calling 0808 178 9321 or writing to IFSL at the registered office above.

Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP

Intermediary Support. 0808 145 2502

Email. service@marlboroughgroup.com

Website. marlboroughgroup.com

