

New Capital USD Shield Fund



Monthly Commentary | As of 31 May 2026

Executive summary

Key events in market

The short-term US Credit bond market delivered a positive performance in May: more specifically, the Fund's reference market (ICE BofA 1-3 Years US Corporate excluding 144A Index) gained +0.31% in the month, with the 0-1 year maturity bucket posting a return of +0.35% and the 3-5y maturity posting a return of +0.24%.

Key performance & positioning updates

In May the Fund delivered +0.26% in terms of absolute return, slightly below the reference index (+0.31%). The Fund ended the month with an A credit rating (vs A- of the reference index), 4.56% yield, and a modified duration of 1.81 years (in line with the reference index).

House view

The stock market rally continued in May, buoyed by growing confidence in a de-escalation in the Persian Gulf and rising corporate profits, particularly in the tech and artificial intelligence (AI) related sectors. The MSCI All Countries World Index rose more than 5.2% in the month, bringing its year-to-date gain to 12.4% in US dollar terms. Amongst developed markets, the US and Japan delivered the strongest returns, although once again emerging markets outperformed their developed peers, especially driven by Asia.

The bond market was mixed. In the US, long-term bond yields rose following positive economic data and upward pressure on consumer prices. Conversely, yields fell in Europe, reflecting worse-than-expected economic growth data and expectations that the overall rise in inflation will be contained. The divergence in bond yields impacted the currency market, where the US dollar gained ground, although it remained within the trading range that has prevailed over the past twelve months. Finally, among commodities, oil prices declined and industrial metals prices rose.

These latest developments reflect the perception that the peak of tensions in the Persian Gulf is behind us and that maritime trade through the Strait of Hormuz will normalise in the coming months, albeit not quickly or in a linear fashion.

Another factor supporting the markets was the outcome of the meeting between President Trump and Xi in mid-May. Despite the absence of any extraordinary announcements, the leaders of the two superpowers agreed on the need to avoid fuelling geopolitical tensions and to continue dialogue to stabilise bilateral trade relations. Another meeting between the two heads of state is scheduled for the end of September.

Finally, market sentiment benefited from the further upward revision of corporate earnings for 2026 and 2027, with expectations of more than 20% for this year and double-digit growth next year. The increase in expected profitability makes current multiples more sustainable and reduces the bubble risk evoked by some commentators, especially in the technology sector. However, it does not eliminate the possibility that stock market performance going forward may be more moderate than in recent months.

Fund performance and positioning

The Fund's slightly negative relative performance can be attributed to security selection within the financial sector (lack of exposure to regional or subordinate banks) and to the marginal overweight in the longest part of the curve (3-5y). The Fund maintained a neutral stance in terms of duration (1.8y vs 1.8y of the reference market), with a slight underweight in the 1-3y bucket (-0.14y) which was compensated by an overweight in the 0-1y (+0.06y) and 3-5y (+0.08y) buckets.

From a sector point of view, the Fund maintained a higher relative exposure to financials (59% vs 44%). A key differentiator is the Fund's broader country and issuer diversification with a 19% underweight to US names. There is no exposure to subordinated debt or US regional banks. Overall, the Fund is invested across 18 countries, 11 of which are included in the benchmark. Significant exposure outside US (35%) include Canada (9%), UK (8%) Australia/Japan (7%), and Germany/Spain/France (6%). The largest underweight is the US (-46%), mainly driven by the underweighting in financials (-19%), utilities (-6%) and technology (-4%).

The Fund remains overweight in higher quality credit ratings: AAA/AA (+5.8% vs benchmark), A (+10%) and underweight BBB (-

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15.9%). The portfolio currently holds 86 positions (compared to the 1,650 names in the reference index). Meanwhile in terms of trading activity, we participated in the primary market with allocations to NDAFH '29, ECL '29 and NAB '29. Following some inflows, we also implemented some switches focusing on the 2-3y bucket selling very short bonds (< 1 year). All transactions were executed in line with our established investment process, underpinned by a disciplined risk-framework analysis.

The Fund continues to avoid more volatile market segments such as high yield and subordinated bonds, delivering a cautious approach within the investment grade universe. Better risk-adjusted returns remain the Fund's primary investment objective. We invest exclusively in USD-denominated issuers, eliminating foreign exchange risk, and do not use derivative instruments. It is classified as Article 8+ and maintains a green bond exposure of 2%, compared to 1% in the reference index.



A key differentiator is the Fund's broader country and issuer diversification with a 19% underweight to US names.



	New Capital USD Shield Fund	ICE BofA 1-3 Year US Corporate Excluding 144a Index	Difference
1 Month	+0.26%	+0.31%	-0.05%
3 Months	+0.07%	+0.23%	-0.16%
6 Months	+1.21%	+1.43%	-0.22%
YTD	+0.84%	+1.01%	-0.17%
1 Year	+4.10%	+4.43%	-0.33%
Since Inception Annualised	+5.14%	+5.33%	-0.19%
Since Inception (13/07/2023)	+15.51%	+16.11%	-0.60%

Past performance is not a guide to the future. The value of your investments and the income from them may fall as well as rise as a result of market as well as currency fluctuations and you may not get back the full amount invested. The Fund is actively managed and as such does not seek to replicate its benchmark index, but instead may differ from the performance benchmark in order to achieve its objective. Fund performance is net of fees and representative of the USD I Acc Share Class, OCF 0.44%, and shows a maximum of five previous calendar years and current year to date (computed on a NAV to NAV basis). Where share class inception begins prior to the five previous years the chart has been re based to 100. Where the Fund has fewer than five full years of performance, returns are shown from the inception date. Source: EFG Asset Management, Bloomberg. As at 31 May 2026.

Outlook

The April Federal Open Market Committee (FOMC) minutes displayed a cautious but increasingly hawkish tone, with growing concern about inflation remaining above the 2% target. Most participants agreed that if inflation persists, tighter monetary policy may be necessary to bring it back to target. However, despite ongoing geopolitical uncertainties, the minutes suggest that these risks are more likely to justify a prolonged pause rather than immediate action.

From an economic point of view, recent US economic data do not yet show sufficient labor market weakness to justify prioritising the employment over the inflation mandate. However, inflation is being supported not only by temporary factors such as tariffs and higher oil prices, but also by more persistent forces, including strong demand, artificial intelligence (AI)

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related inflation impulse, and elevated short run inflation expectations. The ongoing conflict between Iran, the US, and Israel continues to be the main geopolitical factor influencing markets. With the conflict now in its fourth month, the economic damage is mounting rapidly. Soaring fuel, food, and transport costs are putting severe pressure on household budgets, while the inflation surge is steadily eroding political support for President Trump ahead of the November mid term elections. The US and Iran have repeatedly appeared close to a ceasefire extension to enable nuclear talks, but Iran has incentives to delay, as prolonged disruption increases Western economic pain and potential concessions. This dynamic raises the risk of new strikes on Iran infrastructure and regime leaders.

Credit markets have largely looked through recent geopolitical tensions and oil-related volatility. European investment grade spreads are now trading in the high 70bps area, pointing to limited macro spillovers and still solid risk appetite. At current levels, spreads offer a meaningful cushion against adverse rate or spread moves, keeping the carry proposition attractive on a risk adjusted basis. However, it is important to remain selective also considering the geopolitical concern and the exposure to private credit of some US Financial institutions that raised concerns about their ability to absorb losses if valuation deteriorate or defaults occur. As a reference, we have never been invested in regional banks.

Our investment strategy aims to maximize diversification through a robust, repeatable process centered on risk management. Using our proprietary risk tool, we identify and avoid some small, idiosyncratic risks within the investment universe, ensuring broader diversification across key risk factors. We consistently steer clear of subordinated bonds, high yield, regional banks, the real estate sector, issuers and bonds with low liquidity, and countries like China and Brazil. While these exclusions may mean missing out on potential gains in risk-on markets, they are integral to our disciplined process and support a prudent investment approach. We remain cautious, recognizing the ongoing concerns about geopolitical risks, and consequently macro developments (inflation, growth, fiscal deficits, etc.) in the coming months. In this context, short-term credit bonds are expected to be less impacted by volatility. Our process continuously scans the market, including the primary market, to enhance diversification and minimize risk.

We combine quantitative and qualitative expertise, creating genuine synergy, with qualitative analysis ultimately guiding decisions to deliver the best risk adjust return. By focusing on ST and high-quality investment-grade assets, we offer clients a product that fully integrates risk analysis—setting us apart from competitors, including ETFs. Additionally, the fund consistently provides a means to de-risk asset allocations, ensuring a strong, repeatable, and effective cautious approach.



Using our proprietary risk tool, we identify and avoid some small, idiosyncratic risks within the investment universe, ensuring broader diversification across key risk factors.



MARKETING COMMUNICATION

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All sources: EFG Asset Management (UK) Limited ("EFGAM"), Factset, Bloomberg, Morningstar as at end of the month. Any other sources as applicable.

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Germany: from the German Facility Agent, FE fundinfo (Luxembourg) S.a.r.l. 6 Boulevard des Lumières, Belvaux 4369 Luxembourg

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