New Capital
Global Convertible Bond Fund

Quarterly Commentary | As of 30 September 2026

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Market overview

Global markets delivered positive returns during the third quarter despite heightened geopolitical tensions, rising bond yields and renewed inflation concerns. Strong corporate earnings, particularly within the technology sector, continued to support equity markets, helping the MSCI ACWI remain firmly in positive territory year-to-date.

The quarter was characterised by volatility linked to tensions in the Middle East, which contributed to higher energy prices and increased inflation concerns. Developed markets, led by the US and Japan, outperformed emerging markets, supported by resilient economic growth and upward revisions to earnings expectations. However, September saw a rotation back towards large-cap technology stocks, while European markets underperformed amid rising energy costs and political uncertainty. Bond markets faced persistent pressure as investors adjusted to expectations that interest rates may remain higher for longer. Government bond yields rose across developed markets, reflecting resilient economic activity, elevated energy prices and concerns over rising public debt levels. Corporate bond spreads also widened from historically low levels, resulting in weaker fixed income returns.

Currency and commodity markets were influenced by central bank policy expectations and interventions to support the Japanese yen. While the US dollar weakened during parts of the quarter, it regained strength towards quarter-end as bond yields moved higher. Gold benefited from periods of dollar weakness before giving back some gains as real yields increased.

Fund performance and positioning

The Fund lost 4.3% in the third quarter of 2026, while the FTSE Global Focus Index fell 2.8% over the same period. Our slight overweight in delta increased our exposure to falling equity markets, and several momentum stocks we were overweight in also lost ground as market sentiment turned. Year to date, the Fund is up 10.3% against 5.6% for the benchmark, so it remains well ahead of the index despite the weaker quarter. By region, the US was the main detractor, while Asia ex-Japan was the only region to make a positive contribution, supported by overweight positions in names such as Wiwynn and Lenovo.

From an absolute point of view, Information Technology, Utilities and Financials were the largest detractors. Information Technology weighed most heavily on performance (–136 basis points (bps)), as some investors increasingly questioned whether artificial intelligence (AI) companies can monetise their heavy capital spending and grew more concerned about the credit risk of the more leveraged AI-infrastructure issuers. Several of our semiconductor-equipment and AI-infrastructure holdings were hit, including Onto Innovation, Ultra Clean, Amkor and IREN. Health Care (–93bps) also lost ground on falls in biotech names such as Mirum, Ionis and Cytokinetics. Utilities cost the fund 69bps as higher interest rates weighed on this rate-sensitive, capital-intensive sector. Meanwhile, Financials was the only sector to make a meaningful positive contribution (+18bps). Cloudflare was our single best absolute performer, adding 53bps.

From a relative perspective, Information Technology (–75bps) and Health Care (–95bps) were the largest sector detractors, accounting for much of the quarter's weak relative attribution. Industrials (+39bps), Real Estate (+23bps) and Financials (+19bps) provided positive contributions, but only partially offset this weakness. Some of the positions that had contributed strongly during the first half of the year gave back part of their gains, with Zhen Ding Technology and Nebius Group both detracting on a relative basis as momentum in AI-related names began to unwind. Conversely, our underweight position in CoreWeave contributed positively to relative performance as the stock declined significantly within the index.

In convertible-specific terms, three positions stood out as the largest relative detractors. T1 Energy detracted 32bps after its shares fell in late July. Alongside preliminary Q2 results, the company announced a solar patent acquisition, with the first tranche funded through the issuance of new shares, resulting in the stock falling almost 15% on the day. Advanced Energy Industries detracted 26bps despite solid underlying fundamentals, with Q2 results exceeding expectations and guidance coming in ahead of estimates. However, its higher valuation and exposure to semiconductor equipment and data-centre power meant the stock was caught up in the broader de-rating of AI-related names. Norwegian Cruise Line detracted 25bps after exceeding its Q2 targets but lowering its full-year 2026 net yield and adjusted Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) guidance.

On the positive side, Moderna (+14bps relative) and MMG (+13bps relative) were among the strongest relative contributors. Moderna rallied in September after Phase 3 results for its intismeran cancer vaccine met two endpoints, with the shares subsequently reaching a 52-week high ahead of detailed melanoma data due on 24 October. MMG benefited from its exposure as a copper-focused producer, supported by reaffirmed 2026 production guidance across its key assets, and provided a partial offset to weakness across AI-related technology names.

Year to date, the Fund is up 10.3% against 5.6% for the benchmark, so it remains well ahead of the index despite the weaker quarter.

	New Capital Global Convertible Bond Fund	FTSE Global Focus Hedged CB (USD) Index	Difference
1 Month	-2.37%	-2.12%	-0.25%
3 Months	-4.30%	-2.75%	-1.55%
6 Months	+9.66%	+6.89%	+2.77%
YTD	+10.26%	+5.59%	+4.67%
1 Year	+9.03%	+4.52%	+4.51%
3 Years	+44.09%	+38.37%	+5.72%
5 Years	+25.07%	+18.08%	+6.99%
Since Inception Annualised	+7.32%	+6.08%	+1.24%
Since Inception (05/12/2019)	+61.85%	+49.58%	+12.27%

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Outlook

The primary market was exceptionally active during the third quarter, with USD 62.5bn of new convertible issuance. Information Technology dominated activity, accounting for USD 34.4bn, or 55% of total issuance, as companies in the sector continued to use the asset class to fund significant AI and data-centre investment. Health Care was the second-largest sector at 10% (USD 6.1bn), followed by Utilities at 8%, Industrials and Real Estate at 6% each, and Communication Services at 4%. Materials, Energy and Consumer Staples each accounted for approximately 3%, while Financials (2%) and Consumer Discretionary (1%) represented smaller shares. By region, the US accounted for 55% of new supply, followed by Asia ex Japan at 24% and Europe at 16%, while Japan represented 4%.

Issuance over the first three quarters of the year reached just over USD 204bn, already exceeding the USD 179bn recorded for the whole of last year and putting 2026 on track to be a record year for the asset class. Strong issuance has also broadened the investment universe, with the benchmark now comprising 307 names, 54 more than a year ago.

We were active participants in the new issue market, while remaining disciplined and selective on valuations. The number of holdings in the Fund increased to 98, reflecting the strong pipeline of attractive new opportunities in our view. Active share remained high at 68%, highlighting the portfolio's differentiation from the benchmark. The Fund's equity sensitivity stood at 50%, compared with 43% for the benchmark, reflecting an overweight in delta. This partly explains the Fund's relative underperformance during a quarter in which momentum and AI-related equities sold off, while also having been an important contributor to year-to-date outperformance. On the credit side, the Fund maintained a slightly more conservative profile than the benchmark, with an average credit spread of 191bps compared with 203bps.

Overall, the Fund remains positioned with somewhat higher equity sensitivity than the benchmark and a slightly higher-quality credit profile, alongside a high-conviction selection of names. Looking ahead, we remain constructive on the balance between equity participation and downside protection offered by the asset class, with convexity remaining a key consideration. We continue to review position sizing across higher-delta, AI-related names and remain focused on credit quality where higher leverage provides less capacity to absorb earnings disappointments.

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agree that we may cease providing financial services to you if you are no longer a wholesale client or do not provide us with information or evidence satisfactory to us to confirm your status as a wholesale client;
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