New Capital
Euro Value Credit 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

Fund performance in the third quarter was challenged by a difficult market backdrop, with a total return of -3.1%, compared to the benchmark total return of -2.6%. The ongoing US-Iran conflict put upward pressure on oil and commodity prices, causing major central banks to take increasingly hawkish positions, and markets to price in further rate hikes.

Fund returns in the third quarter largely reflected the increase in interest rates (-328 basis points (bps)) and to a lesser extent the widening of credit spreads (-66bps), only partially offset by the carry of the portfolio (+110bps). In European rates, the European Central bank (ECB) delivered a 25bps rate hike at their September meeting and German bund yields rose 25-30bps, but the main underperformer was France. The spread between French OATs and German bunds widened to the highest level in over 20 years, reflecting the ongoing challenges around the French budget process, market concerns over fiscal sustainability, and the looming 2027 presidential election. The duration positioning of the fund was on average modestly overweight during the third quarter, driving a substantial part of the underperformance.

Credit spreads widened, particularly in high yield where Euro indices were around 30bps wider just in September, reversing the tightening experienced in July and August. Credit risk in higher beta segments of the market - high yield and hybrid bonds - had been reduced during the quarter, but remained a source of underperformance versus an investment grade benchmark. Security selection was marginally positive with strong performance from emerging market exposures in Asia, offsetting weaker performance from French government bonds.

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	New Capital Euro Value Credit Fund	BofA Merrill Lynch European Large Cap Corporate Bond Index	Difference
1 Month	-1.77%	-1.38%	-0.39%
3 Months	-3.10%	-2.60%	-0.50%
6 Months	-0.55%	-0.31%	-0.24%
YTD	-1.96%	-1.27%	-0.69%
1 Year	-1.79%	-1.04%	-0.75%
3 Years	+12.83%	+12.34%	+0.49%
5 Years	-5.73%	-1.84%	-3.89%
Since Inception Annualised	-0.02%	+0.66%	-0.68%
Since Inception (29/09/2017)	-0.16%	+6.14%	-6.30%

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Outlook

Recent central bank decisions have added further upward pressure to global bond yields, but we would be cautious about extrapolating this into a prolonged and aggressive tightening cycle. Rates may yet trend higher, supported by robust corporate earnings, elevated government borrowing, and rate-insensitive investment in artificial intelligence, data centres and related infrastructure. Within Europe, the divergence between yields in France, where investors demand a higher risk premium for fiscal sustainability concerns and political uncertainty, and Germany benefiting from a flight to quality, may limit the ECB's appetite for further policy tightening. Credit spreads, despite the recent softening in September, remain relatively tight on a historical basis, and justify a selective approach based on an active relative value process. Overall the risk/reward in fixed income, and in particular investment grade credit, is becoming more compelling for investors able to look through near-term volatility.

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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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