New Capital
USD Shield Fund

Monthly Commentary | As of 31 July 2026

Executive summary

Key events in market
The short-term US Credit bond market delivered a positive performance in July. The Fund's reference market (ICE BofA 1-3 Years US Corporate excluding 144A Index) gained +0.14% 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 -0.41%.

Key performance & positioning updates
In July the Fund delivered +0.09% in terms of absolute return, in line with the reference index (+0.14%). The Fund ended the month with an A credit rating (vs A- of the reference index), 4.8% yield, and a modified duration of 1.8 years (in line with the reference index).

House view

July saw increased market volatility, reflecting the renewed rise in tensions in the Middle East. The US and Iran resumed exchanging military strikes and naval traffic in the Strait of Hormuz collapsed again, boosting energy prices. Furthermore, the Houthis, the pro-Iranian Yemeni rebels, threatened to block the Strait of Bab el-Mandeb south of the Red Sea, a scenario that would have far worse consequences for international trade than the closure of Hormuz.

Overall, the MSCI ACWI index was essentially unchanged during the month, maintaining double-digit gains since the start of the year. Emerging markets corrected, weighed down by profit-taking on artificial intelligence-related stocks - the Korean market being a case in point. It should be noted, however, that quarterly earnings reports significantly exceeded expectations, a factor that will continue to support global equity markets.

The rebound in inflation concerns and the deliberate lack of guidance from Federal Reserve Chairman Warsh contributed to a significant increase in government bond yields in developed markets. The increase in the risk premium penalised longer maturities, leading the yield curve to steepen. Corporate bond spreads also widened from historically low levels, adding to the fixed income market woes.

In currency markets, the yen recovered following the consecutive interventions of the Japanese Ministry of Finance and the Federal Reserve. The Japanese currency's recovery also dragged other major currencies, resulting in the trade-weighted exchange rate of the US dollar losing about 1% over the month. Finally, the price of gold stabilised just above USD 4,000 per ounce.

Looking at the economic outlook, growth remains strong in developed countries, with Europe gaining momentum. The Chinese economy, however, continues to lose steam, but the authorities do not appear ready to launch new stimulus plans. Pressures on inflation are currently primarily due to energy prices, but the longer they remain high, the greater the risk of second-round effects on the prices of other goods and services. Markets are already pricing in central banks adopting somewhat more restrictive policies in the coming months.

Fund performance and positioning

In July, the portfolio returned +0.09%, broadly in line with the reference index. The Fund maintained a neutral stance in terms of duration (1.8y in line with the benchmark), with a slight underweight in the 1-3y bucket (-0.16y) compensated by a small overweight in the 0-1y (+0.03y) and 3-5y (+0.08y) buckets.

From a sector point of view our major overweight is in Financials (58.5% vs 45%), then in Consumer Cyclicals (+3.5%), Basic Materials (+1.5%) and Communications (+1.7%), while Industrials (-6.8%), Consumer Non-Cyclicals (-4.7%), Technology (-4.8%) and Energy (-3.3%) are underweighted. In Financials we provide a broader diversification than the index: -19.6% in US (we don't hold any US regional banks), but for example we hold Canada +5.3%, France +5.4%, Spain +4.7%, Netherlands +3%, and Japan +3%. The Fund is invested across 18 countries, 11 of which are included in the benchmark. Significant exposure outside the US (34.2%) includes Canada (8.9%), UK (8.8%), Australia (5.7%), Japan (7.4%), Germany (6%), Spain (5.6%) and France (7%). The largest underweight is the US (-46%), mainly driven by underweighting Financials.

The Fund remains overweight in higher quality credit ratings: AAA/AA (+6% vs benchmark), A (+10.3%) and underweight BBB (-

16.9%). The portfolio currently holds 85 positions (1,666 in the reference index).

In terms of trading activity, we did some switches to focus on better yields (Toyota ’28 vs ’29, DUK ’27 vs ’29). We also joined the primary market (MBGGR ’29) and we bought some BNP ’29, NWG ’29. All trades were executed in line with our investment process which is based on risk framework analysis, and we also profited from the steepness of the curve.

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+.

July was a challenging month for the USD IG corporate market, as a sharp back up in Treasury yields and renewed geopolitical tensions outweighed carry and solid primary activity.

	New Capital USD Shield Fund	ICE BofA 1-3 Year US Corporate Excluding 144a Index	Difference
1 Month	+0.09%	+0.14%	-0.05%
3 Months	+0.48%	+0.61%	-0.13%
6 Months	+0.69%	+0.92%	-0.23%
YTD	+1.06%	+1.31%	-0.25%
1 Year	+3.39%	+3.87%	-0.48%
3 Years	+15.80%	+16.53%	-0.73%
Since Inception Annualised	+4.92%	+5.12%	-0.20%
Since Inception (13/07/2023)	+15.76%	+16.46%	-0.70%

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 July 2026.

Outlook

July was a challenging month for the USD IG corporate market, as a sharp back up in Treasury yields and renewed geopolitical tensions outweighed carry and solid primary activity.

The Middle East conflict re-escalated after the mid-June ceasefire broke down, with renewed US-Iran strikes and disruptions at key shipping chokepoints. Oil prices swung sharply: an initial sell off on Saudi price cuts was followed by signs of extreme tightness as the conflict intensified, before a late month pullback as US strikes paused and shipping flows partially recovered.

Domestically, the 29 July Federal Open Market Committee meeting was the key event. The Fed held the funds rate at 3.50%–3.75% in a 9-3 decision, with three hawkish dissents arguing for a 25 basis point hike. The hold, combined with persistent hawkish rhetoric and minutes highlighting concern over inflation expectations, drove a pronounced steepening of the Treasury curve, with long end yields reaching levels last seen in 2007.

Macro data, however, delivered a notable disinflation surprise. The headline consumer price index (CPI) for June fell 0.4% month-on-month and core CPI was flat, pulling back market odds of a July hike. The core producer price index and core personal consumption expenditure (PCE) were broadly in line to softer, with the PCE supercore slowing sharply, helping to justify the Fed's decision to stay on hold. Growth remained positive but slower, with Q2 real GDP at +1.5% annualised, supported by resilient consumer spending and business investment, even as artificial intelligence related imports weighed on net trade. Labour data softened at the margin, but wage and cost measures did not re-accelerate.

Against this backdrop, US IG corporates delivered negative total returns as higher rates dominated. The Bloomberg US Corporate IG Index started July at an option adjusted spread of 74 bps (yield-to-worst 5.22%) and widened to 80 bps by month end, while yield-to-worst climbed to a year to date high of around 5.47% before a modest late recovery. The index returned -1.5% for the month, with an excess return of -0.2% versus Treasuries, reflecting headwinds from both rates and spreads. The 1–3 year segment was the clear relative outperformer, validating its role as a defensive positioning tool. The Bloomberg US Corporate 1-3 Year Index posted a modest positive total return of +0.2% in July, significantly better than the broad market, as its low duration helped cushion the impact of the long end sell off. Excess returns were still negative due to spread widening, but price damage was far more contained than in longer maturities.

Our investment strategy aims to maximise diversification through a robust, repeatable process centred on risk management. Using our proprietary risk tool, we identify and avoid numerous small, idiosyncratic risks within the investment universe, ensuring broad 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 such as 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, recognising ongoing concerns about geopolitical risks and macro developments 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 minimise risk. We combine quantitative and qualitative expertise, with qualitative analysis ultimately guiding decisions to deliver attractive risk adjusted returns for our clients. By focusing on short term, high quality investment grade assets, we offer a product that fully integrates risk analysis and provides a consistent, repeatable and cautious way to de risk asset allocations.

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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;
and agree to notify us in writing within 5 business days if you cease to be a 'wholesale client' for the purposes of the financial services that we provide to you.

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