New Capital
USD Shield Fund

Monthly Commentary | As of 31 October 2026

Executive summary

Key events in market
In October, markets faced continued geopolitical volatility, while the Federal Reserve held rates at 3.75%–4.00% and signalled further hikes ahead. US data were mixed, with weaker payrolls, elevated Consumer Price Index (CPI) and solid Q3 GDP growth. Short-term US credit delivered positive returns, with the Fund's reference market, the ICE BofA 1–3 Year US Corporate ex-144A Index, returning +0.86% (+0.45% for 0–1 year and +1.45% for 3–5 years).

Key performance & positioning updates
In October the Fund delivered +0.80% on an absolute basis and 6bps behind the reference index at +0.86% return (+0.86% the reference index). The Fund closed the month with an A credit rating (vs A- of the reference index), 5.18% yield, and a modified duration of 1.8 years (in line with the reference index).

House view

In October, the global stock market continued the period of uncertainty that began late in the summer. The MSCI All Country World Index fell by more than 1.6% for the month, trimming its year-to-date gains to just over 11% - a performance that remains quite robust, given the shocks that have impacted the global economy in recent months.

The moderate overall decline last month masks several notable developments. There was a sharp rotation between investment styles: "value" sectors posted strong gains, while "growth" sectors suffered heavy losses. A key driver in recent weeks has been a reassessment of artificial intelligence (AI)-related investments, specifically regarding how such spending affects the cash-generating capacity of "hyperscalers." This also weighed on emerging markets, particularly in Asia; the MSCI EM index dropped nearly 9% (in USD terms), compared to a decline of only 0.7% in developed markets, mostly due to a selloff in US technology stocks.

The stock market correction contributed to a decline in government bond yields in core economies—such as the US, Germany, the UK, and Switzerland—even as inflation remains high and central banks have signalled that further interest rate hikes may be necessary.
The rally in core government bonds also reflects intensifying concerns regarding public debt in France and other eurozone countries. The spread between 10-year French and German government bonds has climbed to levels not seen since the height of the eurozone debt crisis in 2011. Meanwhile, investors are anxious about the stability of French public finances ahead of the 2027 presidential election, for which polls currently favour the Eurosceptic candidate Marine Le Pen.

The widening of sovereign spreads in the eurozone has weighed on the euro—which has lost ground against major currencies—while enhancing the Swiss franc's status as a safe-haven asset. European currencies remain pressured by high energy prices, alongside persistent geopolitical tensions. Surprisingly, despite a seemingly favourable environment—characterised by falling government bond yields, a generally stable US dollar, and ongoing geopolitical risks—the price of gold has retreated to its 2026 lows, extending its correction since late January to more than 30%.

Fund performance and positioning

Throughout the month, the Fund maintained a neutral duration position (1.8 years, in line with the reference market), with a slight underweight in the 1–3 year bucket, compensated by a small overweight in the 0–1 year and 3–5 year buckets. From a sector point of view, our major overweights were in Financials (57% vs. 45%), followed by Communication (+2.8%), Consumer Cyclical (+1.7%) and Basic Materials (+1.3%), while we remained underweight Industrials (-7%), Technology (-3.8%), Consumer Non-Cyclical (-1.8%), Energy (-2.7%).

Within Financials, we achieved a broader diversification than the index by having exposure to a wider range of countries. Our -18.3% underweight in the US (due to no exposure to US regional banks) is compensated by investments in Canada +4.9%, France +3.9% and the Netherlands +3.2%. Geographically, the Fund is invested across 19 countries, 11 of which are included in the benchmark.

Significant exposure outside the US (36.4%) includes Canada, the UK and Japan, which together account for approximately 8% of the portfolio. The largest underweight is the US (-44%), mainly driven by underweighting in Financials. The Fund remains overweight in higher-quality credit ratings: AAA/AA (+7% vs. benchmark), A (+9%), and underweight BBB (-16%). The portfolio currently holds 85 positions, compared to 1,731 in the reference index. During October, trading activity remained guided by our proprietary risk framework. We took advantage of the steepness of the yield curve through selective switches into longer-dated, higher-yielding securities, including SIEGR '29 vs. SIEGR '28 and LGENSO '29 vs. LGENSO '27. We also managed outflows while maintaining a focus on diversification and prudent risk management.

The Fund continues to avoid more volatile market segments such as high yield and subordinated bonds, maintaining 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. By way of reminder, the Fund is classified as Article 8+.

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	New Capital USD Shield Fund	ICE BofA 1-3 Year US Corporate Excluding 144a Index	Difference
1 Month	+0.80%	+0.86%	-0.06%
3 Months	+0.39%	+0.53%	-0.14%
6 Months	+0.88%	+1.14%	-0.26%
YTD	+1.45%	+1.85%	-0.40%
1 Year	+2.29%	+2.73%	-0.44%
3 Years	+15.64%	+16.70%	-1.06%
Since Inception Annualised	+4.66%	+4.90%	-0.24%
Since Inception (13/07/2023)	+16.21%	+17.07%	-0.86%

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 October 2026.

Outlook

New Capital
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October was a positive month for US Investment Grade (IG) credit in total return terms, reversing September's weakness. Performance was supported by a Treasury rally following weaker September payrolls and the Federal Open Market Committee's (FOMC) decision to hold rates unchanged. While the short end benefited less from the duration-driven rally than the broader index, short-term IG delivered strong income-driven returns despite market volatility. Elevated carry, with yields above 5%, provided a meaningful buffer against spread movements.

Crucially, the 1-3y segment's year-to-date total return remains positive, a testament to its carry-driven resilience through a year of extraordinary rate volatility, geopolitical shocks and record primary supply. With the Federal Reserve (Fed) signalling at least two additional hikes and long-end yields at multi-year highs, the segment's carry-to-duration profile continues to offer investors a compelling income return with limited sensitivity to further rate moves.

The 1-3y US IG corporate segment enters November with its strongest fundamental argument of the year: elevated carry above 5%, minimal duration risk in a hiking cycle, and a track record of outperforming the broad index in every month of significant rates or geopolitical stress in 2026. The primary near-term risk is supply indigestion from a record November pipeline. With the Fed on hold in October and the conflict showing tentative signs of diplomatic progress, the carry buffer is wide enough to absorb modest spread widening and still deliver a positive monthly return for investors. The reinvestment advantage as short-dated bonds mature at progressively higher yields, adds a compounding tailwind that makes our market one of the more compelling risk-adjusted positions within US fixed income heading into year-end.

Key spread drivers to monitor into year-end, beyond supply, include geopolitical developments, particularly the unresolved US-Iran conflict, potential artificial intelligence (AI) issuance fatigue amid expectations of elevated supply from the sector and the US midterm elections, which could influence fiscal policy, tariffs and geopolitical dynamics. Together, these factors will shape the credit spread and rates outlook for Q4.

Looking towards year-end, the 1–3 year IG corporate market continues to offer attractive carry, alongside lower duration exposure, reinvestment opportunities and greater resilience to spread volatility. Elevated income may also provide a buffer against potential rate and spread movements.

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 both secondary and primary markets to enhance diversification and reduce risk. We combine quantitative screening with qualitative judgement, with qualitative analysis driving final decisions to achieve attractive risk adjusted returns. By focusing on short-term, high-quality investment grade assets, we aim to provide a product that fully integrates risk analysis and offers a consistent and cautious way to de-risk asset allocations.

Performance was supported by a Treasury rally following weaker September payrolls and the Federal Open Market Committee's (FOMC) decision to hold rates unchanged.

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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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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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