TrinityBridge Diversified Income Fund

Monthly fund manager update

December 2025

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PERFORMANCE

The TrinityBridge Diversified Income Fund returned +1.5% in December, ending the year at a new all-time high Net Asset Value (NAV). This compared to +0.4% for the Investment Association (IA) 20-60% Shares Sector peer group. This was the 9th month in a row of positive returns – a record for the Fund, which perhaps tells you about the bullish sentiment we saw in 2025.

For 2025 as a whole, the Fund returned +14.2%, making it the best year in the Fund's history, and the first year ever of double-digit returns. As discussed previously this was not down to anything we did in 2025 but was due to adding risk in the 2022 bond market sell-off and adding more to alternatives as they fell to Great Financial Crisis discount levels in 2023. Lower prices (higher future returns) sowed the seeds for the better performance seen by investors and we were correct to be bullish back then (the past 3 years has seen the Fund return +31.2%). We must remember not to extrapolate recent performance to predict what our future returns will look like, but instead stick to looking at the expected returns of what we hold as a guide.

The 14-year 11-month (manager tenure) track record is +118.9%, which compares favourably with the +94.3% return from the IA 20-60% sector over the same period. The Fund is ranked 1st out of 68 funds active in the IA sector over this period on risk adjusted returns (measured by Sharpe Ratio).

In December US equities fell -0.1% (-1.9% in £ terms) whilst the tech-heavy NASDAQ index fell -0.5% (-2.3% in £ terms). European equities rose +2.2% (+1.8% in £ terms), while UK large caps rose +2.2% and the UK mid-cap index was up +1.4%. Accenture, previously seen as an Artificial Intelligence-threatened company, announced four partnerships in the month with AI companies such as OpenAI and Anthropic. They want Accenture's help to get corporates around the world to adopt AI. Accenture's shares rose +7.3% in the month. In addition, Mastercard announced a 14% year-on-year increase in its quarterly dividend.

The 10-year gilt yield rose to 4.48%, from 4.4% in the month, despite the Bank of England cutting the base rate to 3.75% from 4%. However, cash

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rates will follow the base rate fall and this could make some of the higher yielding investments we own more attractive to retail investors.

Within the corporate bond space, BBB credit spreads fell from 1.00% to 0.97% (well below the 2.1% long-term average). As you can see from the below chart credit spreads are at historic low levels.

The duration of the bonds in the Portfolio reduced to 2.7 years from 2.8 years after further purchases of gilts (see Portfolio Activity section).

Turning to the alternatives, gold's run up continued (+1.9% in $'s and +0.1% in £ terms).

HICL Infrastructure rebounded in December after the proposed merger with The Renewable Infrastructure Group (TRIG) was called off. We were pleased to see our activist intervention contribute to help to stop the deal and the subsequent recovery in performance for our investors.

While TRIG's share price moved sharply in the opposite direction following both the announcement of the merger and its subsequent cancellation – reflecting how favourable the deal was to TRIG. We did not hold shares in the company. Please refer to last month's commentary for full details.

The infrastructure names put in a good performance in the month, with 3i Infrastructure, International Public Partnerships, Cordiant Digital Infrastructure and GCP Infrastructure all up by >2%.

PORTFOLIO ACTIVITY

In the past month, several trades were undertaken:

The Co-Op 2025 bond successfully matured.

The Travis Perkins 2026 bond successfully matured (the company repaid it at the earliest allowable date).

We added to Bunzl as it fell to our next price target to add to.

Starwood European Real Estate Finance (in wind up) and GCP Asset Backed Income (in wind up) both gave us capital returns (cash back at NAV).

We added to GCP Infrastructure and HICL Infrastructure to get them back to 3% weightings.

The Jan27 and Mar27 gilts were added to and a new gilt was added, the Dec27 gilt. All gilt trades were done at 3.7% yields.

The Fund's cash position decreased to 3.9% from 4.9%.

YIELD

The Fund's forward looking yield (based on end of month prices) was static at 5.1%. This should get a little boost next month, when we start to use 2026 forecast dividend yields, as opposed to 2025 yields. The Fund is generating c.0.4% of income per month, which will help to offset any future downward volatility. Cash and gilts currently make up 22.6% of the portfolio. We like to take risk when we are more than adequately compensated for taking it.

OUTLOOK

Despite stock markets rising in 2025 (valuations in general suggest caution) not all equities rose and there were a few stocks down heavily, such as Accenture (-40% from its high) which we added to the Portfolio. Corporate bonds trade at historically tight spreads, and we have de-risked a substantial part of these holdings into cash and gilts (at lower yields but at better risk/reward trade-off), and we should not expect any further spread tightening (capital gains) from those remaining holdings in 2026.

Historically a large part of annual returns has come from the yield of the Fund. Given the +31.2% returns over the past 3 years the yield on the Fund (a proxy for future returns) has fallen from 6.9% in Dec22 to 5.1% in Dec25, so whilst humans tend to extrapolate recent returns as a proxy for the future, we need to do the opposite. Great historic returns are an impediment to future great returns. Hence a repeat of 2025's +14% return is unlikely in 2026 unless we a) get a market sell-off to reinvest the cash/gilts into, followed by a market bounce or b) the investment trusts trade back to their NAVs (we finished the year with 6.1% of potential unrealised performance in trusts trading at discounts to their NAV). The yield (a proxy for future return expectations) is still higher than for most of the Fund's life though, just not as good as in the 2022-23 sell-off.

Volatile markets increase the likelihood of finding more investments at valuations we consider good risk/reward, and with plenty of cash/gilts to invest into new ideas investors should look forward to the next market pull-back, so we can get the capital to work at higher expected returns.

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