TrinityBridge Select Fixed Income Fund

Monthly fund manager update

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The TrinityBridge Select Fixed Income Fund returned +0.4% in January. In comparison, the Investment Association (IA) Sterling Strategic Bond Sector returned +0.4% in January.

The fund remains very conservatively positioned (i.e. strong 'A+' credit quality and 51% weighting to government bonds) with High Yield exposure at a record low (just 2.8% of fund holdings). This is a prudent response to very 'rich' credit valuations and a general concern that credit markets are displaying 'bubble / mania-like' characteristics.

MACRO BACKDROP

News flow in January was extraordinarily fast-paced and diverse. In geopolitics, the Trump administration captured Venezuelan President Maduro; threated to invade Greenland (before rowing back on 'excessive use of force'); and sent a battle-ready naval contingent to waters surrounding Iran. In financial markets, a new US Federal Reserve Chair was nominated (expected to take the helm in May 2026), and gold and silver suffered some of the largest short-term price declines in history (albeit following spectacular gains over the past 12-months).

Against this tumultuous backdrop, credit spreads were little changed and remained at record or near-record 'rich' levels. By any reasonable (or unreasonable) measure, credit spreads still offer 'very poor' risk / reward characteristics (see table below).

Global Credit Spreads			
Currency	**Rating**	**31-Jan-26**	**20yr Avg**
GBP	**BBB**	93	218
	BB	190	427
USD	**BBB**	95	196
	BB	174	347
EUR	**BBB**	83	181
	BB	166	366

The Bank of England cut the policy rate on 18 December to 3.75% (from 4.0%) and maintained the Quantitative Tightening programme ("QT") at GBP 70bn / year. Futures markets expect 1-2 rate cuts over the next 12 months.

The Federal Reserve held the policy rate on 28 January at 3.75% and maintained the suspension of the QT programme (versus previous rate of USD 40bn / month until 1-Dec-25). Futures markets expect two rate cuts over the next 12 months.

The European Central Bank held policy rates on 18 December and maintained the QT programme at EUR 25bn / month. The Deposit Rate was held at 2.00%, and the Refinancing Rate was held at 2.15%. Futures markets expect zero rate cuts over the next 12 months.

In the UK, the Composite Purchasing Managers Index (PMI) data strengthened to 53.9 (Dec-25 =

51.4), while consensus 2026 GDP growth forecasts increased to +1.4% (Dec-25 = +1.3%). Consumer Prices Index (CPI) inflation increased to +3.4% (Nov-25 = +3.2%), while core inflation (i.e. excluding volatile energy and food prices) was stable at +3.2%. Forecasts indicate inflation will decline to c. +2.1% over the next 12 months. Unemployment increased to 5.1% (Sep-25 = 5.0% / Sep-24 = 4.2%).

In the US, Composite PMI data strengthened to 52.8 (Dec-25 = 52.7), while consensus 2026 GDP growth forecasts increased to +2.1% (Dec-25 = +2.0%). US CPI inflation was stable at +2.7% (Nov-25 = +2.7%) – and forecasts indicate inflation will remain around 2.7% over the next 12 months. Unemployment decreased to 4.4% (Nov-25 = 4.5%).

In the Eurozone, Composite PMI data weakened to 51.5 (Dec-25 = 51.6), while consensus 2026 GDP growth forecasts were stable at +1.4% (Dec-25 = +1.4%). Eurozone inflation reduced to +1.9% (Nov-25 = +2.1%), and forecasts indicate inflation will remain at c. +1.9% over the next 12 months. Unemployment reduced to 6.2%.

PORTFOLIO ACTIVITY

The Select Fixed Income fund is a nimble and proactive fund, and we have a strong track-record of patiently waiting for attractive buying periods to emerge.

Key investments during the month include:

1) We reduced overall fund duration to 4.0 years (from 5.0 years). We did this by selling longer-dated UK Gilts (maturing in 2037 and 2039), and buying very short-dated Gilts (maturing in 2027). This reduction follows a relatively strong performance in UK Gilts over the past 4-months; and slightly less attractive valuations (albeit, we still believe Gilts are ‘slightly cheap’).

2) We added to a new UBS 2031 bond issue at an attractive yield of 6.8% (rated BBB-). We now have a c. 1.2% position in UBS bonds, albeit 0.7% will mature in 2026.

3) As a result of these trades, 49% of fund holdings are in UK government bonds, and just 2% in German government bonds (0% in the US). On the credit side, just 3% of the fund is now invested in High Yield bonds (2 x BB rated bonds), and fund duration remains relatively low at 4.0 years.

On the portfolio construction side, the yield-to-call is 5.0%; duration is 4.0 years; the average rating of the fund is A+; cash levels are 7%; and the unrated portion of the fund is 8%.

It is also worth noting that the fund continues to deliver a virtually identical yield to ‘BBB’ credit indices, despite enjoying an average credit rating of ‘A+’ and a 51% weighting to sovereign bonds. While the fund aims to deliver a much higher level of monthly income ‘through-the-cycle’, very rich valuations in credit markets mean the fund is positioned conservatively at this time.

OUTLOOK AND STRATEGY

Fixed Income sub-asset classes:

Sovereign bond yields are ‘slightly cheap’ in the UK, US and Eurozone, albeit macro and geopolitical risks continue to create volatility.

Sterling Investment Grade bonds are ‘rich’ versus all historical timeframes, with ‘BBB’ credit spreads at 93bps (5yr average = 161bps; 10yr average = 174bps; 20yr average = 218bps.

Sterling High Yield bonds are ‘rich’ versus all historical timeframes, with ‘BB’ spreads at 190bps (5yr average = 328bps; 10yr average = 335bps; 20yr average = 427bps).

In an effort to preserve capital and deliver a good level of monthly income, we continue to seek out the best risk / reward ideas across investment grade, High Yield and unrated sectors. We maintain our focus on stock selection reinforced by in-depth credit research.

IMPORTANT INFORMATION

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