

TrinityBridge Diversified Income Fund

Monthly fund manager update

August 2025



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PERFORMANCE

TrinityBridge Diversified Income Fund returned +0.2% in August, hitting a new all-time high in the process. This compared to the +0.3% for the Investment Association (IA) 20-60% Shares Sector peer group.

The 14-year 7-month (manager tenure) track record is +110.1%, which compares favourably with the +86.3% return from the IA 20-60% sector over the same period. The Fund is ranked 1st out of 70 funds active in the IA sector over this period on risk-adjusted returns (measured by Sharpe Ratio).

In August, US equities rose +1.9% (-0.3% in sterling terms as the dollar weakened). The tech-heavy NASDAQ index rose +1.6% (-0.6% in sterling terms). European equities rose +0.7% (+0.9% in sterling terms), while UK large cap advanced +0.7% and the UK mid-cap index fell -1.4%.

The 10-year gilt yield moved higher over the month to 4.72% from 4.57%, leading to a drop in long-dated gilt prices. This was despite the Bank of England cutting the base rate by 0.25% to 4%. The build up to the Chancellor's Autumn Budget continues, with many stories hitting the press over who may be hit with potential tax hikes (one of the latest rumours was that the Banking sector could possibly see a rise in the levies they pay). The amount Rachel Reeves needs to raise appears to be increasing almost daily, with the

highest estimate suggesting she will need to raise £55bn.

Within the corporate bond space, BBB credit spreads rose very slightly from 1.07% to 1.08% (well below the 2.1% long-term average). Sub-investment grade (or High Yield) BB spreads fell from 2.47% to 2.27% (well below the 4.25% long-term average).

The duration of the bonds in the Fund remained at 2.7 years – still fairly short primarily due to the 14.5% position in 2025 gilts.

Turning to the alternatives, most of the renewable and infrastructure names fell in August. Greencoat UK Wind was down -9.2% on no news. In the Fund, the discounts between trusts' share prices and their NAVs widened again, from 5.9% to 6.8%, which weighed on relative performance. We used the pullback as an opportunity to add to International Public Partnerships (see below for more information).

PORTFOLIO ACTIVITY

In the month, a couple of trades were undertaken:

We up-weighted International Public Partnerships at a yield of 7.1%. This trust continues to trade at a large discount to its NAV, boosting its forward-looking return potential, with several additional NAV uplifts to possibly come:

1. Inflation is running higher than modelled
2. They have cut the management fees which will bring down the fund's OCF in the coming months
3. The new investment in Sizewell C will boost the portfolio's expected return by +0.3%
4. They sold down their position in Angel Trains at a large premium, which will add 2.4p to the NAV
5. They have an ongoing share buyback programme which will add to the NAV

Putting this all together you have a trust trading on a c.10% forward-looking expected return, with inflation protection, which we find an attractive point to increase the position.

We added a new starter position in Accenture, the US consultancy firm. Its share price has fallen from \$400 to \$245 during this year, taking it back to valuation metrics last seen in 2015 and this triggered a first buying level on our Quant Model. The underperformance is due to concerns over Elon Musk's DOGE government spending cuts (but government work is only c. 8% of group revenue), along with the debate over whether artificial intelligence (AI) is a threat or an opportunity to people-based companies (ie does AI change from being used to enhance human performance to replacing humans). For now, AI is a definite opportunity for Accenture as they help their clients utilise the technology to achieve cost savings and reinvent their operations. The share price closed the month back up at \$260.

Both Accenture and International Public Partnerships will be reporting in September, and we will continue to monitor developments and update our thoughts, price targets and recommendations.

The Fund's cash position increased to 5.1% from 4.5%.

YIELD

The Fund's forward-looking yield (based on end of month prices) was down slightly from 5.45% to 5.35%. The Fund is generating c. 0.45% of income per month, which will help to offset any future downward volatility. Cash and gilts currently make up 21.1% of the portfolio, up from 20.6% last month (so we continue to reduce Portfolio risk).

OUTLOOK

The Fund remains underweight equities for valuation reasons, and corporate bonds continue to trade near historically tight spreads. Gilts, predominantly 2025 maturities, are offering real returns and provide a ready source of funds to invest in new ideas as and when they present themselves. Volatile markets increase the likelihood of finding more investments at valuations we consider good risk/reward which will aid forward looking returns.

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