TrinityBridge Select Fixed Income Fund

Monthly fund manager update

June 2025

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The TrinityBridge Select Fixed Income Fund returned +1.0% in June, bringing the year-to-date (YTD) return to +3.6%. In comparison, the Investment Association (IA) Sterling Strategic Bond Sector returned +1.4% in June and +3.4% YTD.

MACRO BACKDROP

Following an exceptionally volatile month for global markets in April – and the third busiest trading month in the fund's history – like May, June was a calmer period for the fund.

Geopolitical newsflow was focused on the Iranian nuclear situation and fears over the potential impact on oil prices. As tensions eased in the second half of June, credit spreads rallied to near-record rich levels.

As a result, credit spreads remain rich versus all timeframes (see the table below). And we believe they currently offer very poor risk / reward characteristics - albeit there are plenty of special situation bonds that have been largely absent for much of the previous 12-months.

Global Credit Spreads

Currency	Rating	30-Jun-25	20yr Avg
GBP	BBB	111	219
	BB	260	429
USD	BBB	101	197
	BB	160	350
EUR	BBB	99	181
	BB	208	369

The Bank of England held policy rates on 19 June at 4.25%. The Bank also maintained the Quantitative Tightening programme ("QT") at GBP 100bn / year. Futures markets expect three rate cuts over the next 12 months.

The Federal Reserve held policy rates on 18 June at 4.50% and maintained the QT programme at USD 40bn / month. Futures markets expect four rate cuts over the next 12 months.

The European Central Bank cut policy rates on 5 June by -0.25% and maintained the QT programme at EUR 25bn / month. The Deposit Rate reduced to 2.00% (from 2.25%), and the Refinancing Rate reduced to 2.15% (from 2.40%). Futures markets expect one rate cut over the next 12 months.

In the UK, the Composite Purchasing Managers Index (PMI) data strengthened to 52.0 (May-25 = 50.3), while consensus 2025 GDP growth forecasts strengthened to +1.2% (May-25 = +1.0%). Consumer Prices Index (CPI) inflation decreased to +3.4% (Apr-25 = +3.5%), while core inflation (i.e. excluding volatile energy and food prices) decreased to +3.5% (Apr-25 = +3.8%). Forecasts indicate inflation will remain at c. +3.0 - 3.5% over the next 12 months. Unemployment increased to 4.6% (Mar-25 = 4.5%).

In the US, Composite PMI data was stable at 52.9 (May-25 = 53.0), while consensus 2025 GDP growth forecasts weakened to +1.3% (May-25 = +1.4%). US CPI inflation increased to +2.4% (Apr-25 = +2.3%) – and forecasts indicate inflation will remain around +3.0% over the next 12 months. Unemployment decreased to 4.1%. It has held relatively steady in a narrow range over the past 12 months.

In the Eurozone, Composite PMI data strengthened to 50.6 (May-25 = 50.2), while consensus 2025 GDP growth forecasts were stable at +0.7% (May-25 = +0.7%). Eurozone inflation increased to +2.0% (May-25 = +1.9%), and forecasts indicate inflation will remain at c. +2.0% over the next 12 months. Unemployment increased to 6.3%, although the longer-term trend has been one of falling unemployment rates.

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. With this in mind, April was one of the busiest trading months in the history of the fund, alongside April 2020 (Covid-19 spread) and September 2022 (Liz Truss Prime Ministerial period).

Against this backdrop, May and June have been relatively quiet trading periods for the fund. Key investment activity during the month includes:

1) Maintaining our overall credit exposure in the fund at 57% of holdings (from 41% in March, and 51% in April).

2) Purchasing an additional position in the ATS 2026 bond (unrated) at a yield of 18%. This special situation opportunity is our 'top pick' in the fund and is now a 1.8% fund holding.

On the portfolio construction side, the yield-to-call is 5.6%; duration is 4.5 years; the average rating of the fund is A; cash levels are 3%; and the unrated portion of the fund is 6%.

It is also worth noting that the fund continues to deliver a better yield than BBB credit indices, despite enjoying an average credit rating of 'A' and a 40% 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 it is positioned relatively conservatively at this time.

OUTLOOK AND STRATEGY

Fixed Income sub-asset classes:

Sovereign bond yields are slightly cheap in the UK and Eurozone, and fair value in the US.

Sterling Investment Grade bonds are rich versus all historical timeframes, with sterling 'BBB' credit spreads at 111bps, versus their 5yr average of 170bps; 10yr average of 180bps; and 20yr average of 219bps.

Sterling High Yield bonds are rich versus all historical timeframes, with 'BB' spreads at 260bps (5yr average = 345bps; 10yr average = 342bps; 20yr average = 429bps).

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.

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