

# Sarasin Responsible Corporate Bond

## Quarterly commentary Q1 2026

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### Economic review

Sterling corporate bonds delivered negative performance over the first quarter of 2026, although they outperformed government bonds, as markets were increasingly driven by heightened geopolitical tensions. The escalation of conflict in the Middle East contributed to greater uncertainty, particularly through its impact on global energy markets.

The outlook for economic growth weakened over the period. Higher energy costs, tighter financial conditions and declining consumer confidence weighed on sentiment and are beginning to feed through to activity in the UK and Europe. While labour markets remained relatively resilient, there were early signs of softening.

With inflation proving more persistent than expected, largely driven by energy-related pressures, central banks adopted a more cautious stance. Expectations for interest rate cuts have been pushed out, and we expect rates to remain higher for longer.

More broadly, the geopolitical backdrop contributed to increased market volatility and a reassessment of global risk. Fiscal policy also came into sharper focus, with governments facing pressure to increase defence spending, potentially at the expense of other areas.

### Fund review

The fund outperformed its benchmark in the quarter. This was mainly due to our modest risk-facing position relative to the benchmark, as well as selective profit-taking amid elevated geopolitical tensions and concerns around private credit.

At a sector level, our underweight position in supranational bonds contributed positively to performance, as the sector underperformed over the period. We also saw strong selection within the insurance sector, which delivered positive returns.

However, this was partly offset by weaker performance in real estate and asset-backed securities.

We maintained our overweight positions in utilities, real estate, banking and asset-backed sectors. We also maintained a slightly overweight duration position relative to the benchmark, which marginally detracted from performance as government bond yields rose following the escalation in geopolitical tensions.

### Fund transactions

We continued to favour a modestly higher level of risk in the fund relative to the benchmark, with a bias towards more defensive sectors, such as utilities and asset-backed securities. This positioning provided some protection following the escalation of the conflict in the Middle East and the associated increase in market volatility.

Notable additions during the quarter included Alphabet and Transport for London. In financials, we rotated some of our UK bank exposure into Italian banks, reflecting a more attractive risk-return profile.

We selectively reduced risk in names such as Aviva and Legal & General, driven by concerns around private credit exposure. At the same time, we took profits in credits, including Center Parcs and Bazalgette Finance, where valuations had become increasingly stretched.

### Outlook

The outlook for global economies, including the UK, has weakened following the escalation of the conflict in the Middle East. Higher energy prices and increased uncertainty are weighing on demand, while inflation is proving more persistent than previously expected. As a result, monetary policy is likely to remain restrictive for longer, with policymakers maintaining a cautious stance. Corporate fundamentals remain broadly resilient, supported by relatively strong balance sheets, although weaker growth and ongoing structural challenges continue to weigh on the medium-term outlook.

For the time being, we continue to see value in sterling corporate bonds, despite relatively low levels of compensation for credit risk by historical standards. All-in yields remain attractive in a historical context, supported by elevated government bond yields. Demand for corporate credit remains resilient, although market volatility has increased. In this environment, we maintain a cautious approach, favouring a modest risk-facing position alongside a bias towards higher-quality and more defensive sectors.

We believe the fund is well placed to adjust its positioning as conditions evolve and to withstand potential periods of weakness in credit markets.

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## Key risks

It is important that investors are aware of the various risks prior to making an investment decision. The primary risks of the fund have been outlined below:

**Bond risk:** In stressed conditions bonds may become harder to sell in a timely manner, resulting in unpredictable changes in the value of your holdings.

**Derivatives risk:** Derivatives are financial instruments whose value is linked to the expected future price movements of an underlying asset. Derivatives such as futures, forward contracts, options, and swaps may be used to seek to manage risk within the fund, reduce investment costs and generate additional income. However, these strategies may not be successful and could lead to losses greater than the cost of the derivative.

**Operational risk:** Operational risks arising from failures or delays in processes and systems, or the failure of a third-party provider may affect the value of your investments. If compensation is required to due failures, payments may be delayed.

**Counterparty and settlement risk:** The fund could lose money if a counterparty with which it transacts with becomes unwilling or unable to repay money owed to the fund.

**Charges deducted from capital:** The fund has charges deducted from capital, which may reduce the potential for growth.

Further details of the risks that apply to the fund can be found in the fund's Prospectus.

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## Important information

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The fund is managed by Sarasin Investment Funds Limited (the "Authorised Corporate Director/ACD"), which is authorised and regulated by the Financial Conduct Authority (FRN: 122244). The ACD has delegated its administration and registrar functions to Northern Trust Global Services SE, UK Branch. The ACD has appointed Sarasin & Partners LLP as the Investment Manager of the fund.

The fund may not be appropriate for investors who plan to withdraw their money within five years. Prospective investors should review the Prospectus carefully, including the section on 'Risk Factors', prior to making any final investment decisions. The Prospectus, the Key Investor Information Document for the relevant class, as well as the annual and half-yearly reports, are

available in English free of charge via the relevant product pages on our website or upon request.

The fund may not be distributed to investors in jurisdictions where such distribution would be unlawful. The ACD reserves the right to reject any applications from investors outside of the jurisdictions where the fund is registered for sale. US Persons are not permitted to subscribe for shares in the fund.

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