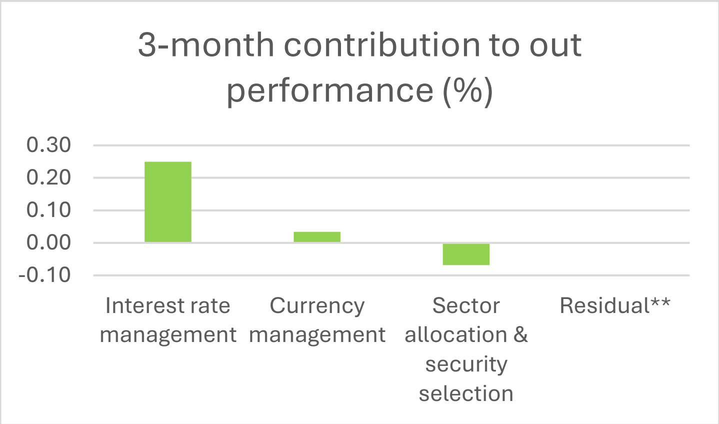
MetLife Global Bond Fund
Attribution to 30 June 2025
Base Currency: AUD

	1 Mth	3 Mth	1-Year	3-Year	5-Year	S.I.
Performance (%)						
Portfolio (gross)	1.09	1.71	5.51	2.24	-0.68	1.01
Benchmark*	0.91	1.49	5.45	2.28	-0.64	1.26
Excess return (gross)	0.19	0.21	0.06	-0.04	-0.04	-0.25
Attribution (%)						
Interest rate management	0.08	0.25	0.41	0.13	0.03	0.03
Currency management	0.02	0.03	0.15	0.19	0.20	-0.09
Sector allocation & security selection	0.07	-0.07	-0.39	-0.20	-0.08	0.05
Residual**	0.02	0.00	-0.11	-0.16	-0.19	-0.24
Excess return (gross)	0.19	0.21	0.06	-0.04	-0.05	-0.25



Inception date: 6 April 2018
*Bloomberg Global Aggregate (AUD Hedged)
**Residual variance is due to the difference between portfolio price hierarchy and comparison price hierarchy.
Past performance is not indicative nor a guarantee of future results.
Numbers may not sum due to rounding.

Market update

- Global markets were challenged over the quarter as market participants navigated risks from unexpected tariff announcements, flare-ups of violence in the middle east, and potential economic slowdown. Government bond yields initially fell and credit spreads widened at the beginning of the period as an escalation of the Trump administration’s trade war fueled global growth fears.
- While the bulk of the tariffs were paused for 90 days, concerns remain around the ability of the administration to negotiate a significant number of deals, particularly with their largest trading partners, including China.
- Yield curves generally steepened as investors priced in greater uncertainty in long term inflation expectations.
- In June tensions escalated between Israel and Iran during the month. Oil prices spiked, although quickly retraced as it became clear that Iran’s responsive was largely choreographed and well-signalled ahead of time.
- Fixed income markets initially shifted into risk off mode but soon pared back a lot of the move as the conflict calmed down towards the end of the month. Focus has now turned back to economic data and the upcoming US tariff deadline.

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Attribution

- Over the quarter the portfolio has had a gross total return of 1.71%, with the benchmark returning 1.49%, and therefore outperformed by 21bps on a gross basis.

Interest rates

- *In Asia, our overweight weighted duration position in Japan detracted slightly from performance as this market underperformed on a relative basis. This was most noticeable in our portfolio at the 20 year part of the curve, where we have a small overweight. The Japanese yield curve bear steepened, compounding the negative effects of this position.*
- *Yield curves generally steepened across the globe as investors priced in greater uncertainty in long term inflation expectations. Our underweight position in the long end of the US curve proved to be a positive contributor to relative performance, as did our overweight position in the 6-8 year segment, as 10s30s in the US steepened by almost 20bps.*
- *In the Sterling denominated bond market, our overweight position in the 6-8 year part of the curve proved beneficial as that part of the curve performed well on a relative basis.*

Sector, security, and regional allocation

- *While spreads were volatile over the quarter, the contribution to relative performance from individual credit selection was a roughly neutral, as spreads eventually retraced back tighter towards the end of June.*
- *Our underweight bond market position in euros is concentrated in the 0-3 year part of the curve, although credit selection overall in BBB and below bonds proved detrimental to relative performance. Issuers such as Eurobank and Digital Realty underperformed, although small but notable exceptions to this were bonds issued by utilities such as Norsk Hydro and A2A Spa.*
- *In Sterling our exposure to medium to longer dated spread product was a positive contributor to relative performance, particularly in the BBB bucket. Utilities such as Scottish Hydro were notable outperformers.*
- *Allocation to spread product was also a positive in Australian dollars, where we were positioned mostly in the intermediate part of the curve. Our holding in Etsa Utilities was the strongest performer in Q2.*
- *In the US dollar MBS sector, we are predominantly overweight in the 5-6% coupon part of the stack, which detracted from relative performance. However, our underweight position in MBS overall, particularly in lower coupons, proved to be a positive as mortgage spreads widened overall due to economic uncertainty.*
- *However, our allocation to US dollar higher rated and government related paper detracted from performance, where securities in the 6-8 year bucket issued by Aaa names such as KFW ended up underperforming. Our exposure to a small selection of sub-IG names in this currency bucket proved positive.*
- *In Japan, we have opted to add some lower rated debt over the past 6 months to generate extra carry in a traditionally lower beta market. This is concentrated in shorter dated securities, and the positioning in this segment was a small positive over the quarter. Our higher rated and government related securities, such as Japan Housing finance, are positioned further out the yield curve, and provided some protection against the moves higher in yield.*

Portfolio positioning

In bond market terms, we are slightly overweight the dollar bloc, underweight Asia, and slightly overweight Europe. The fund’s overall duration position is now largely neutral. In China we have a small underweight duration position, given the low level of yields in a global context and recent growth supportive economic measures. The fund now is close to a neutral duration position in the US, as the fears have increased of weaker growth going forward due to tariffs and other isolationist policies, although uncertainty remains.

Within Europe, we hold small overweight positions in the Norwegian krone, Swedish krona and UK Sterling denominated bond markets.

Early in the quarter we adjusted portfolio positioning in light of the rapidly changing economic environment. We reduced some exposure to spread product early in the month both in euros and US dollar bonds. We purchased some long dated Japanese yen bonds to take advantage of the recent steepening of that curve. We purchased very small amounts of lower rated paper that we perceived to both be cheap, and also relatively immune to tariff disturbances.

During May we adjusted our key rate duration positioning in euro denominated paper, neutralising some benchmark deviations across the intermediate part of the curve across lower rated paper. We also purchased some new euro green ABS paper, benefitting from a significant pickup in spread for a name that is viewed positively by our securitised team.

Towards the end of the period we reduced our small overweight weighted duration position in Australian dollar denominated bonds to bring it closer to neutral, and we took advantage of the steepness of the Italian yield curve by adding a small amount of longer dated Italian bank debt.

Outlook

Our outlook on the global economy is dominated by the rapidly changing policy framework coming from the US, most immediately around foreign policy issues like trade, tariffs and geopolitical positioning, while simultaneously shifting to a less stimulative domestic policy focus (loose fiscal are a plus while tariffs and immigration act as a potential drag). This combined effect of increased global uncertainty and adapting to a changing global landscape will likely prompt a variety of policy responses across countries, ranging from more aggressive central bank easing to increased and previously unanticipated fiscal stimulus support. The final tariff impacts on countries remain unclear until negotiations conclude, but any potential retaliatory actions could worsen risk sentiment.

Credit spreads widened substantially at the start of the quarter and then have since retraced more recently indicative of ample liquidity and the markets sentiment that growth remains structurally supportive. Spreads are at historically tight levels and so we do not expect significant tightening from current levels. However, unless growth conditions deteriorate meaningfully we expect credit to remain well supported by both healthy investor appetite and continued strong private sector balance sheet fundamentals. We are being very selective in what names and where we are willing to add credit risk. We also are simultaneously looking at opportunities to go up in rating and liquidity by selling certain issuers that look particularly expensive, to allow ourselves the ability to reinvest if spreads widen. We remain committed to enhancing yield with selective credit selection focusing on shorter duration assets to minimize spread widening. We are also constantly scrutinizing yield curve shapes to best monetize roll down and hedged yield characteristics.

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Disclosures