



Nedgroup Investments Global Strategic Bond Fund

Incremental gains: How to win consistently in fixed income

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David Roberts and Alex Ralph argue that in global fixed income, consistent outperformance is built not on bold macro calls or concentrated credit bets, but on incremental gains compounded across a diversified portfolio.

Every bond market cycle produces its share of bold duration calls, concentrated sector overweights and high-conviction credit positions. For a while, they may look inspired. But when macro and corporate narratives shift, those same trades can quickly morph from alpha generators into capital destroyers.

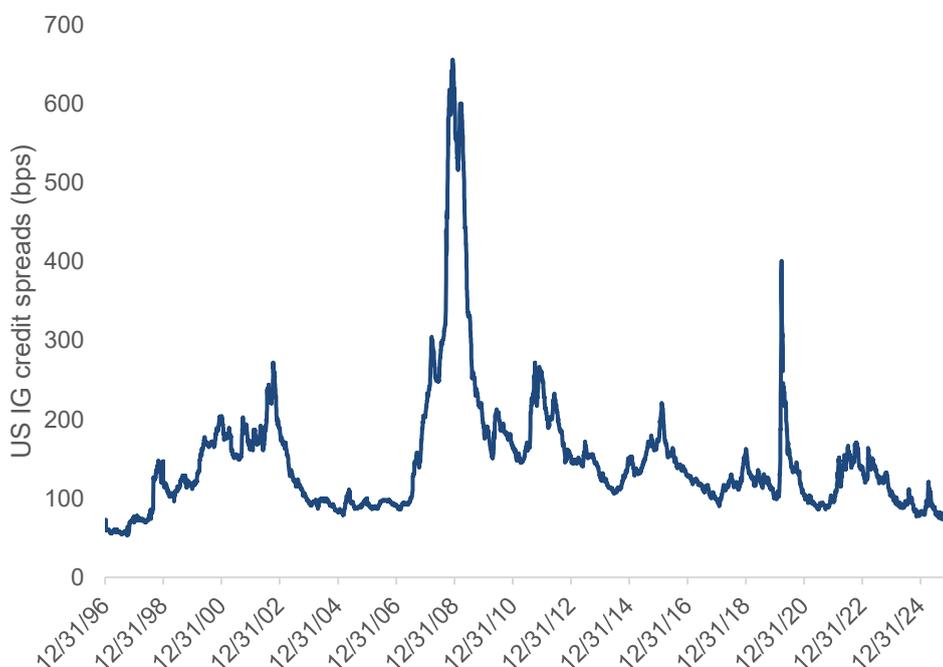
This is not to say volatility should be feared. For disciplined active managers, it is often the source of opportunity and can help them clearly differentiate versus passive approaches that are rigidly stuck to a benchmark. The reality, however, is that consistent alpha generation in global bond markets is built on accumulative relative-value decisions across a diversified global opportunity set.

Value comes in different forms

Unlike equities, where upside can in theory be unlimited, bond returns are inherently asymmetric. Upside is capped at par. Downside, in stressed credits, can mean permanent impairment or even defaults in extreme cases when access to liquidity disappears. This can make narrow investment approaches vulnerable in more challenging markets, such as the global financial crisis of 2007-2009, pandemic-induced volatility in 2020 and the sell-off in 2022 caused by rising inflation and bond yield fears.

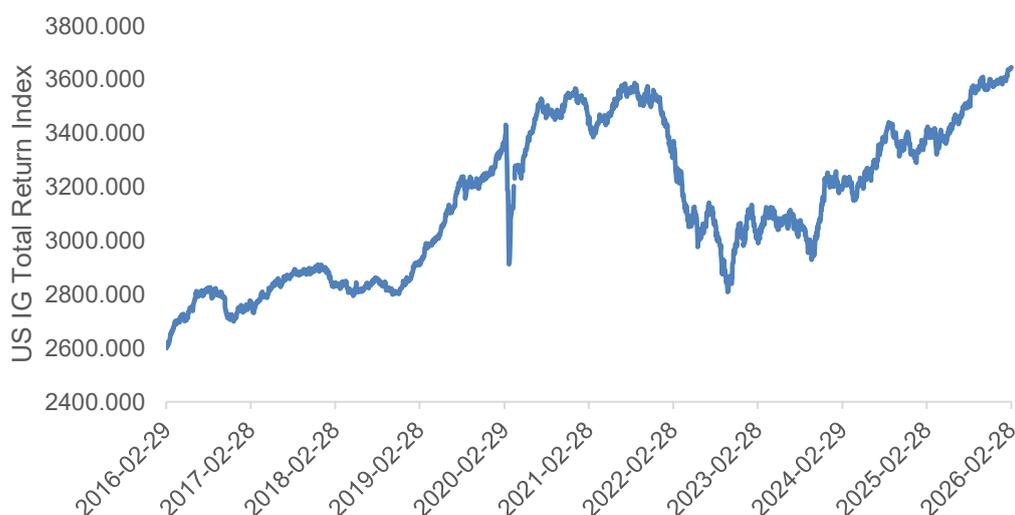
Today, credit spreads in the US and Europe have compressed back towards historically tight levels. While headline spreads do not tell the whole story, an investor focused on a small set of opportunities in such conditions is making an implicit binary bet: that nothing goes wrong, that volatility remains suppressed and the cycle extends indefinitely. But there is little margin for error.

Figure 1: Credit spreads close to historical tights



Source: ICE Bank of America Merrill Lynch, US Corporate Index Option-Adjusted Spread.
As of February 27, 2026.

Figure 2: Drawdowns can be sharp and painful



Source: ICE Bank of America Merrill Lynch, US Corporate Index Total Return Index Value.
As of February 27, 2026.

By contrast, a more diversified approach reduces dependence on any single factor. Instead, value can be

found in various forms - from curve positioning, issuer selection, defensive versus cyclical exposure or by focusing on higher-rated names over lower-quality peers. Each decision is small, but collectively, they compound.

The story is similar in government bonds. Amongst G7 countries, monetary policy is no longer synchronised. Fiscal dynamics differ. Inflationary pressures vary. Supply is uneven. As a result, yield curves are not moving in lockstep.

At times in the past year, US long-end yields have risen due to fiscal concerns, while European curves have reacted to questions on growth. Elsewhere, short-dated bonds in Australia and Canada have repriced as rate expectations shifted.

In that environment, a valuation-driven approach allows for something more nuanced than a blunt short or long rates call. Exposure can be adjusted incrementally across countries and curve segments as divergence opens and closes.

Portfolio construction

Diversification in fixed income should not be mistaken for passivity. It requires a series of deliberate choices. How much developed market sovereign exposure to take versus corporate credit? Where along the curve? Which geographies? How much high yield relative to investment grade?

A core global portfolio anchored in liquid sovereigns and high-quality credit provides stability. From this foundation, alpha can be layered through relative value, cross-market trades, curve positioning and disciplined security selection.

Within any rating bucket, dispersion between issuers can dwarf the return differential between ratings themselves. Identifying companies with improving balance sheets, strengthening governance or mispriced fundamentals can provide asymmetric opportunities without relying on broad spread tightening. Equally, knowing what to avoid matters. When headline spreads look thin, selectively upgrading quality or moving up in seniority can preserve carry while reducing downside risk.

Capital preservation is underappreciated when investors are bullish. But in fixed income, avoiding large drawdowns is as important as capturing upside. A diversified approach creates optionality. It allows managers to be patient in certain positions, trim risk selectively and redeploy capital when valuations become compelling.

Liquidity is also important. Portfolios built around more liquid securities are not forced sellers in stressed

markets. They can lean into volatility rather than retreat from it.

The role of conviction in good times and not so good times

As with any asset class, there is a place for conviction in fixed income. But conviction can mean adherence to a valuation framework, disciplined risk budgeting and focusing on small gains rather than large payoffs.

If a portfolio can generate 100 to 150 basis points of excess return per annum through diversified and repeatable decisions, the cumulative impact over time becomes meaningful.

Big calls capture headlines. Chasing yield is easy. But consistency is more enduring. In an uncertain world – politically and economically – resilience and discipline allow compounding to do its work.

Bond investors do not need to swing for the fences. They simply need to keep adding incremental gains. That, we would argue, is a price worth paying for.

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