Diversified Income Fund

Market context

September was a difficult month for markets, with a broadly risk-off tone as central banks turned more hawkish. The US Federal Reserve (Fed) raised rates for the first time since 2023 and signalled another increase before year-end. The European Central Bank also tightened, and the Bank of Japan (BoJ) lifted its policy rate to a three-decade high. Policymakers were emboldened by flash PMIs pointing to accelerating growth, with the US composite at a five-year high. Energy remained the main inflation risk: attacks on Saudi energy facilities, an East-West pipeline closure and the collapse of hopes for US-Iran talks sent Brent back above US$100 a barrel.

Growth assets had a weak month. Global equities fell as higher yields weighed on valuations, with US and Japanese shares holding up best, European and UK shares lagging and Chinese equities particularly weak. Emerging market equities fell less than developed markets, but emerging market debt declined across local currency, hard currency and corporate segments, and high-yield credit fell. Brent crude surged by double digits, while the wider commodity complex was flat as metals retreated.

Defensive assets offered little shelter. Developed market sovereign bonds sold off sharply, with both Treasuries and euro-area bonds losing ground. The US 10-year yield rose for a seventh consecutive month. Investment grade credit declined in both the US and Europe alongside government bonds. The Japanese yen was the exception among major currencies, strengthening against the dollar after the BoJ's rate rise, while sterling and the euro weakened.

Gold gave back much of August's surge, falling by more than six per cent as a firmer dollar and rising yields dented its appeal.

For further details, please see here.

Performance

The Fund delivered a negative return in sterling, gross and net of fees*.

Our equity exposure lost value in line with the broader universe of stocks, and our equity call options also lost value as the stock market traded broadly sideways.

Credit spreads widened, hurting returns. Developed government bonds sold off, led by US Treasuries. Emerging market holdings held their value better. Modest exposure to the US dollar added to performance.

*Where performance is gross of fees, returns will be reduced by management fees and other expenses incurred. Net performance is net of highest institutional segregated portfolio management fee.
Not all securities held have been discussed. For further information on how the overall strategy performed during the period covered, please reference the relative performance noted in the Performance review section.

Past performance does not predict future returns; losses may be made.

Portfolio activity

Within fixed income, allocations to physical sovereign bonds (developed and emerging markets), investment-grade corporate bonds, and high-yield corporate bonds remained broadly stable over the month. This was accompanied by a slight rise in cash, funded mainly by a reduction in physical developed market sovereigns. Overall portfolio duration rose to c.2.6 years from c.2.2 years, as we added US dollar duration following a rise in yields that made valuations more attractive, alongside a smaller addition in sterling. The non-US dollar share of duration therefore fell to c.54%, from c.65% at end-August. Net high-yield exposure remains close to zero. The investment-grade portfolio is high-quality and defensive, with an average rating of A. In currencies, we increased our aggregate short positions in the euro, sterling and Swiss franc, while reducing our long Australian and New Zealand dollar positions, which lifted our US dollar exposure. We also added FX options positioned for dollar strength against sterling and the euro.

Net equity exposure edged up to just under 11%, driven mainly by a higher options delta. Physical equity exposure remained just above 7%, consistent with our cautious risk stance. We completed exits from DCC, which is subject to a takeover bid, Diageo and Brambles. We initiated positions in UnitedHealth, China Hongqiao and Hiscox, which are all well regarded by our analysts. UnitedHealth is rebuilding margins with improved cost discipline, China Hongqiao offers a constructive aluminium and cash-return outlook at a discounted valuation, and Hiscox combines a strong solvency position with disciplined underwriting. Equity options remain a core component of the Strategy, and we retain positions across equity, bond and FX options to help manage downside risk and provide flexibility.

Outlook

The rise in yields has brought long-end valuations to levels last seen in late 2023, just before the subsequent rally. As a result, we have moved from a defensive to a more neutral duration stance, concentrated in developed markets. We are building exposure gradually into weakness while remaining prepared to add further if yields rise again; conversely, we expect to trim into sharp rallies. Fiscal risks at longer maturities warrant continued caution.

Our medium-term concern is that markets have entered a more fragile phase. The AI trade is increasingly treated as rate-insensitive while cyclical sectors deteriorate beneath the surface. A sustained bond sell-off risks disrupting this narrative, particularly where positioning is crowded. Risk-asset valuations remain stretched, and risk premia in both equities and high-yield bonds continue to be tight relative to the level of uncertainty. We remain focused on defensive, high-quality income-generating businesses with low leverage and strong pricing power, favouring companies with durable, growing cash flows. We continue to view AI funding cycle risks, labour-market disruption and private-credit concentration as sources of market vulnerability.

As this macro backdrop evolves, a nimble and active approach remains essential. We maintain a cautious stance on equities and credit, while seeking resilient, attractively valued income-generating assets with strong cash flows and return potential.

Specific risks: Currency exchange: Changes in the relative values of different currencies may adversely affect the value of investments and any related income. Default: There is a risk that the issuers of fixed income investments (e.g. bonds) may not be able to meet interest payments nor repay the money they have borrowed. The worse the credit quality of the issuer, the greater the risk of default and therefore investment loss. Derivatives: The use of derivatives may increase overall risk by magnifying the effect of both gains and losses leading to large changes in value and potentially large financial loss. A counterparty to a derivative transaction may fail to meet its obligations which may also lead to a financial loss. Interest rate: The value of fixed income investments (e.g. bonds) tends to decrease when interest rates rise. Equity investment: The value of equities (e.g. shares) and equity-related investments may vary according to company profits and future prospects as well as more general market factors. In the event of a company default (e.g. insolvency), the owners of their equity rank last in terms of any financial payment from that company. Government securities exposure: The Strategy may invest more than 35% of its assets in securities issued or guaranteed by a permitted sovereign entity, as defined in the definitions section of the Strategy's prospectus.

Important information

This communication is provided for general information only. Nothing herein should be construed as an offer to enter into any contract, investment advice, a recommendation of any kind, a solicitation of clients, or an offer, marketing or solicitation with respect to any particular strategy, security, derivative, services or investment product. The information may discuss general market activity or industry trends and is not intended to be relied upon as a forecast, research or investment advice. The economic and market views presented herein reflect Ninety One's judgment as at the date shown and are subject to change without notice. Views and opinions presented herein will be affected by changes in interest rates, general market conditions and other political, social and economic developments. There is no guarantee that views and opinions expressed will be correct and may not reflect those of Ninety One as a whole, different views may be expressed based on different investment objectives. Although we believe any information obtained from external sources to be reliable, we have not independently verified it, and we cannot guarantee its accuracy or completeness. Ninety One's internal data may not be audited. Ninety One does not provide legal or tax advice. Reliance upon information in this material is at the sole discretion of the reader. Investors should consult their own legal, tax and financial advisor prior to any investments. Past performance should not be taken as a guide to the future. Investment involves risks; losses may be made.

Any decision to invest in strategies described herein should be made after reviewing the offering document and conducting such investigation as an investor deems necessary and consulting its own legal, accounting and tax advisors in order to make an independent determination of suitability and consequences of such an investment. This material does not purport to be a complete summary of all the risks associated with this Strategy. A description of risks associated with this Strategy can be found in the offering or other disclosure documents. Copies of such documents are available free of charge upon request.

This is not a buy, sell or hold recommendation for any particular security. Individual security performance does not represent the Strategy performance. There is no guarantee that the Strategy is currently investing and/or will invest in the securities in the future. The portfolio may change significantly over a short period of time. Forecasts are inherently limited and are not a reliable indicator of future performance.

In the US, this communication should only be read by institutional investors, professional financial advisers and their eligible clients, but must not be distributed to US persons apart from the aforementioned recipients. In Australia, this document is provided for general information only to wholesale clients (as defined in the Corporations Act 2001). For Funds within the Strategy that are registered for sale in Switzerland, copies of the Prospectus, latest annual and semi-annual Report & Accounts, Articles of Incorporation and Key Investor Information Documents may be obtained from the Swiss Representative and Paying Agent, CACEIS Investor Services Bank S.A., Esch-sur-Alzette, Zurich Branch, Bleicherweg 7, CH-8027 Zurich, Switzerland.

For distribution into Asia, this material should only be sent to professional investors, institutional investors and other qualified investors as defined by relevant local laws and regulations, and not to be distributed to the public or within a country where such distribution would be contrary to applicable law or regulations. It is strictly for the recipient's use only and should not be reproduced or distributed to any other persons without prior written consent from Ninety One. If you are not an intended recipient you must ignore this material and take no action based on the information in it. In Hong Kong, it is for professional investors only, issued by Ninety One Hong Kong Limited and has not been reviewed by the Securities and Futures Commission (SFC). In Singapore, it is for institutional investors only, issued by Ninety One Singapore Pte Limited (company registration number: 201220398M) and has not been reviewed by the Monetary Authority of Singapore. In the People's Republic of China (the "PRC"), it can be directed only at certain eligible PRC investors as prescribed by applicable PRC laws. In Taiwan, it is for professional institutional investors only. In Indonesia, Thailand, the Philippines and Brunei, it is for institutional investors and other qualified investors only. This material has been issued to you upon your request, without any marketing or solicitation activities conducted by Ninety One.

Except as otherwise authorised, this information may not be shown, copied, transmitted, or otherwise given to any third party without Ninety One's prior written consent. © 2026 Ninety One. All rights reserved. Issued by Ninety One.