

**Investment Objective and Policies**

The Fund aims to maximise the total level of return for investors by investing, mainly in a diversified portfolio of bonds and other similar debt securities. In pursuing this objective, the Investment Manager shall invest primarily in a diversified portfolio of corporate & government bonds maturing in the medium term, with an average credit quality of "Ba3" by Moody's or "BB-" by S&P, although individual bond holdings may have higher or lower ratings. The Fund can also invest up to 10% of its assets in Non-Rated bond issues. The Fund is actively managed, not managed by reference to any index.

Fund Type UCITS  
 Minimum Initial Investment €100,000

**Sustainability**

The Fund is classified under Article 6 of the SFDR meaning that the investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

**Fund Details**

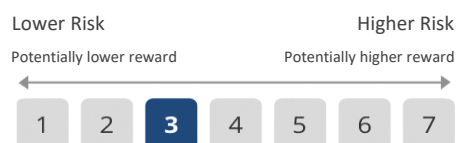
ISIN MT7000026472  
 Bloomberg Ticker CCHIBFE MV

**Charges**

Entry Charge Up to 2.5%  
 Exit Charge None  
 Total Expense Ratio 1.44%  
 Currency fluctuations may increase/decrease costs.

**Risk and Reward Profile**

This section should be read in conjunction with the KIID


**Portfolio Statistics**

Total Net Assets (in €mns) 48.44  
 Month end NAV in EUR 80.73  
 Number of Holdings 133  
 % of Top 10 Holdings 19.5

**Current Yields**

Last 12-m Distrib. Yield (%) 3.75  
 Underlying Yield (%) 5.36

**Risk Statistics**

	3Y	5Y
Sharpe Ratio	-0.82	-0.38
Std. Deviation (%)	5.01%	7.78%

**Country Allocation<sup>1</sup>** %

United States	24.3
Germany	11.8
France	9.1
Italy	6.3
Spain	6.0
Brazil	4.5
Netherlands	3.8
Czech Republic	2.9
Luxembourg	2.7
Turkey	2.6

<sup>1</sup> including exposures to CIS

**Credit Rating<sup>2</sup>** %

From AAA to BBB-	18.4
From BB+ to BB-	48.2
From B+ to B-	17.1
CCC+	2.3
Less than CCC+	2.2
Not Rated	2.6
<b>Average Credit Rating</b>	<b>BB</b>

<sup>2</sup> excluding exposures to CIS

**Top 10 Exposures** %

iShares Fallen Angels HY Corp	2.8
4% JP Morgan Chase & Co perp	2.4
7.5% Nidda Healthcare Holding 2026	1.9
8.156% Encore Capital Group Inc 2028	1.9
3.875% Allwyn International 2027	1.8
iShares Euro High Yield Corp	1.8
2.5% Hapag-Lloyd 2028	1.8
iShares USD High Yield Corp	1.8
4.625% Volkswagen perp	1.7
4.375% Cheplapharm 2028	1.6

**Currency Allocation** %

EUR	66.0
USD	34.0
Others	0.0

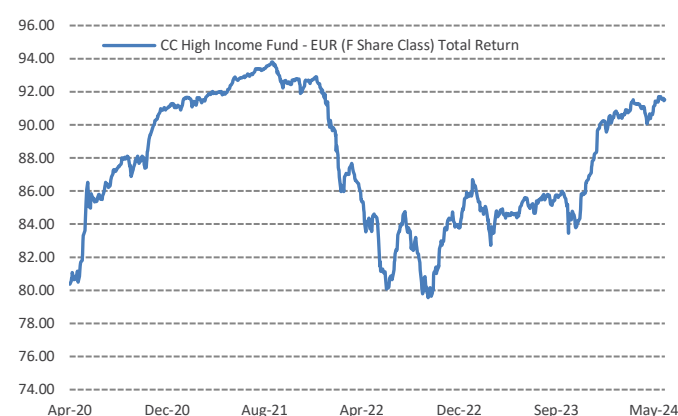
**Asset Allocation** %

Cash	2.8
Bonds	90.8
CIS/ETFs	0.0

**Maturity Buckets<sup>3</sup>** %

0 - 5 years	71.4
5 - 10 years	15.9
10 years +	3.4

<sup>3</sup> based on the Next Call Date

**Historical Performance to Date\*\***


Source: Calamatta Cuschieri Investment Management Ltd.

**Sector Breakdown<sup>2</sup>** %

Banks	12.9
Telecommunications	7.8
Auto Parts&Equipment	7.7
Funds	6.4
Commercial Services	4.3
Media	3.7
Transportation	3.6
Chemicals	3.3
Mining	3.1
Oil&Gas	3.1
Gaming	2.9
Auto Manufacturers	2.8

**Performance History\*\***

Past performance does not predict future returns

Calendar Year Performance	YTD	2023	2022	2021	2020	Annualised Since Inception***
Share Class F - Total Return****	1.40	7.74	-9.72	1.85	13.36	3.22

Total Return	1-month	3-month	6-month	9-month	12-month
Share Class F - Total Return****	0.98	0.86	4.51	6.72	8.04

\* Data in the chart does not include any dividends distributed since the Fund was launched on 24<sup>th</sup> April 2020.

\*\* Performance figures are calculated using the Value Added Monthly Index "VAMI" principle. The VAMI calculates the total return gained by an investor from reinvestment of any dividends and additional interest gained through compounding.

\*\*\* The Distributor Share Class (Class F) was launched on 24<sup>th</sup> April 2020. The Annualised rate is an indication of the average growth of the Fund over one year. The value of the investment and the income yield derived from the investment, if any, may go down as well as up and past performance is not necessarily indicative of future performance, nor a reliable guide to future performance. Hence returns may not be achieved and you may lose all or part of your investment in the Fund. Currency fluctuations may affect the value of investments and any derived income.

\*\*\*\*Returns quoted net of TER. Entry and exit charges may reduce returns for investors.

## Introduction

May brought a welcome turnaround after a rough start to the second quarter of 2024. Global bonds delivered a positive performance, gaining 1.3%, fuelled by renewed investor optimism about the global economic outlook and the belief that interest rates will be cut later this year, albeit with the timing potentially differing between the US and Europe.

The US economy showed signs of moderation, with capital spending and home sales trending sideways. However, manufacturing and services PMIs were a bright spot, indicating overall growth. Meanwhile, Europe saw confirmation of improving economic activity, particularly in services sector which continues to act as the key pillar of strength. Manufacturing also noted signs of a recovery.

Given the increasingly desynchronised nature of regional economies, central bank policy expectations have continued to diverge. The ECB feels confident about Europe's disinflationary path, with wage growth staying moderate despite economic recovery. In contrast, disinflation in the US seems to be stalling, especially in the services sector. May's inflation data showed only a slight slowdown, and FOMC meeting minutes raised concerns about the lack of further disinflation. Hopes for an immediate US rate cut faded, but Fed Chair Powell's resistance to further rate hikes helped US Treasuries rally.

From a performance viewpoint, solid corporate fundamentals kept credit spreads tight, making investment-grade credit a strong performer in May. Emerging market (EM) debt also delivered impressive returns of c. 1.98% as several EM central banks continued easing their monetary policies.

## Market Environment and Performance

Economic disparity in the two central economies, previously more evident, has in May showed signs of convergence. Indeed, the Euro area economy moved even closer to stabilization in May, Purchasing Managers' Index (PMI) survey showed, amid a sustained performance in services (reading 53.2 v 53.3) and recovery in manufacturing (reading 47.3 v 45.7). Overall, activity marked the strongest increase in Eurozone economic activity since May 2023 as demand boosted output and hiring. Meanwhile, business confidence improved for the seventh time in eight months. Although inflation rates for input costs and output charges cooled, they remained above pre-pandemic averages.

Headline and core inflation accelerated to 2.6% and 2.9% YoY respectively. Despite this upside surprise, slowing inflation over the last few months has enabled the ECB's governing council to signal a high degree of confidence that rates will be cut in June, even if the path thereafter remains less clear.

The US economy, by far outpacing its western counterpart, started to show signs of moderation, albeit activity still signaling a modest improvement in the health of both the manufacturing (reading 51.3 v 50.0) and service (reading 54.8 v 51.3) sectors. Companies boosted output due to a renewed rise in new orders, following a slight decline in April, and new export business saw a marginal increase. Employment levels remained steady overall while input costs and selling price inflation both accelerated. Business confidence improved slightly, with companies optimistic about future output growth.

In the US, disinflationary trends are stalling, with price pressures in services sectors looking particularly sticky. The latest inflation release showed only a modest slowing, as headline inflation came in marginally lower at 3.3%, compared to April's 3.4% and lower than forecasts. Core inflation, which excludes volatile items, eased to a three-year low of 3.4%.

In May, the course government bond yields took varied across geographies. The Eurozone saw yields briefly rising, meaning prices fell, while the US saw the 2-year and 10-year yields falling, the latter by 17bps from the previous month close. Corporate credit, aided by the inherent characteristics of the asset class, outperformed. However, varying geographically with US corporate credit generating higher returns against its European counterparts. Indeed, US investment grade debt saw notable gains of c. 1.85%, outperforming its Euro equivalent. High yield bonds, the riskiest as classified by credit rating agencies, too generated positive returns, with the European and US names returning c. 0.96% and 1.13%, respectively.

## Fund Performance

The CC High Income Bond Fund closed the month higher (0.94%) from the previous month's close, amid a positive performance observed across credit markets.

The manager, in line with its mandate, maintained an active approach to managing the portfolio. Throughout the month, the manager - aiming to increase the portfolio's duration in a gradual manner, locking in coupons prior to any policy easing, and exposure to European exposure - continued to take advantage of selective opportunities, primarily by participating in initial offerings. Indeed, the month saw a number of market participants coming to market, with liquidity and appetite certainly increasing. Credit issuers which the CC High Income Bond Fund increased its exposure to include; Volvo Car AB, Teva Pharmaceuticals, Ineos Finance, Telecom Italia, and OI European Group.

## Market and Investment Outlook

The narrative for credit markets remained largely unchanged in May. While central banks in Europe, particularly the European Central Bank (ECB) in June and potentially the Bank of England, are poised for imminent rate cuts, the path forward hinges on a crucial factor: The Federal Reserve's monetary policy stance.

The Fed's influence on global financial conditions, namely on: borrowing costs, currency movements, and commodity prices, creates a complex dynamic, lessening Europe's ability to diverge significantly from the Fed's policy decisions. The key to unlocking the highly anticipated rate cuts lie on a sustained slowdown of US economic growth. While consumer spending has provided a buffer thus far, early signs of a cooling US economy and some positive inflation data are encouraging. A slowdown shall ultimately allow the Fed to finally pivot and begin lowering rates later this year, paving the way for similar action by European central banks. In essence, the success of European rate cuts hinges on the US achieving a "soft landing," a scenario where economic growth moderates and inflation eases without triggering a recession. Recent data points are increasing the likelihood of this outcome, but continued monitoring remains prudent.

The outlook for the global bond market, as the Federal Reserve signals a pause in rate hikes and the European Central Bank leans towards quantitative easing, is positive. However, locking in coupons at such comparably favorable levels, ahead of any policy easing is key.

That said, the manager will going forward continue to assess the market landscape and capitalize on appealing credit opportunities. Consistent with recent actions, the manager will continue to tailor the portfolio to match prevailing yield conditions, gradually increase duration and strategic tilt towards European credit. Our rationale for this shift lies in Europe's earlier stage in the credit cycle, potentially offering upside potential. Additionally, the dovish stance of the ECB, compared to its Western counterparts, raises the possibility of Europe being the first to cut interest rates, which could further benefit European credit markets.

## Disclaimer

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