

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 €2,500

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 MT7000003059
 Bloomberg Ticker CALCHIE MV

Charges

Entry Charge Up to 2.5%
 Exit Charge None
 Total Expense Ratio 1.89%
 Currency fluctuations may increase/decrease costs.

Risk and Reward Profile

This section should be read in conjunction with the KIID

Lower Risk Higher Risk
 Potentially lower reward Potentially higher reward


Portfolio Statistics

Total Net Assets (in €mns) 48.27
 Month end NAV in EUR 78.9
 Number of Holdings 133
 % of Top 10 Holdings 19.6

Current Yields

Last 12-m Distrib. Yield (%) 3.75
 Underlying Yield (%) 5.35

Risk Statistics

| | 3Y | 5Y |
|--------------------|-------|-------|
| Sharpe Ratio | -0.80 | -0.37 |
| Std. Deviation (%) | 5.01% | 7.76% |

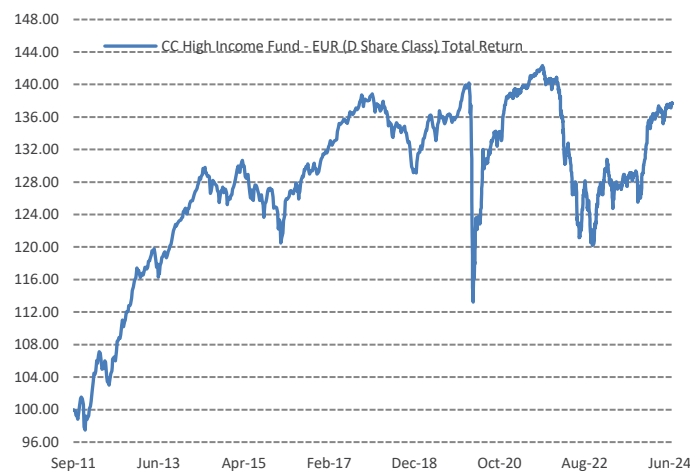
| Country Allocation ¹ | % | Credit Rating ² | % | Top 10 Exposures | % |
|---------------------------------|------|------------------------------|-----------|--------------------------------------|-----|
| United States | 24.7 | From AAA to BBB- | 18.6 | iShares Fallen Angels HY Corp | 2.8 |
| Germany | 11.9 | From BB+ to BB- | 47.6 | 4% JP Morgan Chase & Co perp | 2.5 |
| France | 9.4 | From B+ to B- | 17.4 | 7.5% Nidda Healthcare Holding 2026 | 2.0 |
| Spain | 6.0 | CCC+ | 2.4 | 8.156% Encore Capital Group Inc 2028 | 1.9 |
| Italy | 5.2 | Less than CCC+ | 2.4 | 3.875% Allwyn International 2027 | 1.9 |
| Brazil | 4.7 | Not Rated | 2.4 | iShares Euro High Yield Corp | 1.8 |
| Netherlands | 3.8 | | | iShares USD High Yield Corp | 1.8 |
| Czech Republic | 3.0 | | | 2.5% Hapag-Lloyd AG 2028 | 1.8 |
| Turkey | 2.6 | | | 4.625% Volkswagen perp | 1.7 |
| Luxembourg | 2.6 | | | 4.375% Cheplapharm 2028 | 1.6 |
| | | Average Credit Rating | BB | | |

¹ including exposures to CIS

² excluding exposures to CIS

| Currency Allocation | % | Asset Allocation | % | Maturity Buckets ³ | % |
|---------------------|------|------------------|------|-------------------------------|------|
| EUR | 65.7 | Cash | 2.9 | 0 - 5 years | 73.9 |
| USD | 34.3 | Bonds | 90.7 | 5 - 10 years | 14.5 |
| Others | 0.0 | CIS/ETFs | 0.0 | 10 years + | 2.3 |

³ based on the Next Call Date

Historical Performance to Date**


Source: Calamatta Cuschieri Investment Management Ltd.

Sector Breakdown²

| Sector | % |
|----------------------|------|
| Banks | 11.7 |
| Telecommunications | 8.0 |
| Auto Parts&Equipment | 7.7 |
| Funds | 6.4 |
| Commercial Services | 4.3 |
| Media | 3.7 |
| Transportation | 3.4 |
| Chemicals | 3.3 |
| Mining | 3.2 |
| Oil&Gas | 3.1 |
| Gaming | 3.0 |
| Auto Manufacturers | 2.9 |

Performance History**

Past performance does not predict future returns

| Calendar Year Performance | YTD | 2023 | 2022 | 2021 | 2020 | Annualised Since Inception*** |
|----------------------------------|---------|---------|---------|---------|----------|-------------------------------|
| Share Class D - Total Return**** | 1.50 | 7.26 | -10.13 | 1.48 | -0.15 | 2.52 |
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Share Class D - Total Return**** | 7.47 | -6.44 | 5.31 | 4.97 | -0.86 | 1.88 |
| Total Return | 1-month | 3-month | 6-month | 9-month | 12-month | |
| Share Class D - Total Return**** | 0.29 | 0.49 | 1.50 | 7.41 | 7.34 | |

* Data in the chart does not include any dividends distributed since the Fund was launched on 1st September 2011.

** 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 D) was launched on 01 September 2011. 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

Global high yield corporate credit delivered a positive 0.62% return in June, as a more constructive market environment – driven by the emergence of softer labour market conditions and encouraging news on inflation – unfolded.

Central bank policy decisions remained a key driver. The ECB cut interest rates 25bps in early June, with the scope for further cuts somewhat limited by sticky inflation. Annual inflation in the euro area was 2.5% in June, up from 2.4% in March. Such ongoing inflationary pressures, kept other major central banks on hold. In the US, initial concerns about overheating and strong economic data initially dampened sentiment. However, as the quarter progressed, hopes for a soft landing gained traction. The latest “dot plot”, showing the rate setting forecasts of Fed policymakers, indicated just one rate cut this year.

Along with the likely timing and extent of interest rate cuts, politics was a key focus in the quarter, with political risks creating pockets of weakness. European parliamentary elections saw gains for right-wing nationalist parties. This was notably the case in France. President Macron responded by calling parliamentary elections, in a move that surprised markets instigating localised weakness. French sovereigns widened notably, with the spread between French and German government bonds, typically below 50bps, jumped above 70bps, highlighting heightened risk perception. The prospect of UK elections was however less contentious.

Market Environment and Performance

Economic disparity in the two central economies, previously more evident, has over Q2 showed signs of convergence as the Euro area economy moved even closer to stabilization, Purchasing Managers' Index (PMI) survey showed, amid a sustained expansion in the private sector. However, growth somewhat cooled to a three-month low in June. Over the month, services (reading 52.8 v 53.2) slowed while manufacturing shrank at a faster pace (reading 45.8 v 47.3). Overall, curbing the rise in activity levels was a softening of demand, as new orders decreased for the first time since February. The rate of job creation was the softest in five months and there was also a cooling of price pressures, with rates of increase in input costs and output prices cooled to five- and eight-month lows, respectively.

Headline inflation eased to 2.5% from 2.6% in May, while core inflation remained steady at 2.9%. Despite May's upside surprise, slowing inflation over the last few months has enabled the ECB's governing council to lower the 3 key interest rates by 25bps in June, a shift from nine months of stable rates.

Meanwhile, the US economy showed signs of improvement at the end of Q2. Both manufacturing (reading 51.6 v 51.3) and services (reading 55.3 v 54.8) noted modest growth. New orders climbed for the second month in a row, reaching a one-year high. Employment levels, consequent to such higher demand, rose for the first time in three months. Meanwhile, input cost and output price inflation rates slightly eased from the previous month.

In the US, disinflationary trends sustained, albeit price pressures in services sectors looking particularly sticky, overall. The latest inflation release showed a modest slowing, as headline inflation fell for a third straight month to 3% in June 2024, the lowest since June 2023, compared to 3.3% in May and below forecasts of 3.1%. Core inflation too eased to a three-year low at 3.3%.

From a performance viewpoint, global credit markets found some footing in June following a rocky start to Q2 2024. Government bonds saw a stark diversion. In the US, the initial sell-off observed - with yields peaking in late April - reversed with bond prices trending higher throughout June. European government bonds, predominantly France's, saw yields widen as a French snap election announcement increased perceived risk for French debt. Investment grade corporate credit performed well in both the US and Europe, delivering positive returns. Meanwhile, high yield credit continued its strong performance with European and US high yield corporates delivering c. 0.97% and 0.54%, respectively.

Fund Performance

The CC High Income Bond Fund closed the month higher (0.29%) 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 continued 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; Tereos Finance, Eircorn Group, and French shipping and logistics company CMA CGM.

Market and Investment Outlook

The narrative for credit markets remained largely unchanged in June. The European Central Bank (ECB), in line with expectations, embarked on a policy easing cycle, a shift from nine months of stable rates. The path forward however remains unclear, largely hinging 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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Address: Calamatta Cuschieri Investment Management Limited, Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034.