

Investment Objective and Policies

The Fund aims to maximise the total level of return for investors through investment, primarily, in debt securities and money market instruments issued by the Government of Malta. The Investment Manager may also invest directly or indirectly via eligible ETFs and/or eligible CISs) up to 15% of its assets in "Non-Maltese Assets" in debt securities and/or money market instruments issued or guaranteed by Governments of EU, EEA and OECD Member States other than Malta. The Investment Manager will not be targeting debt securities of any particular duration, coupon or credit rating. 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 MT7000017992
 Bloomberg Ticker CCMGBFA MV

Charges

Entry Charge Up to 2.5%
 Exit Charge None
 Total Expense Ratio 1.25%
 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) 29.92
 Month end NAV in EUR 93.92
 Number of Holdings 39
 % of Top 10 Holdings 54.2

Current Yields

Underlying Yield (%) 3.31

Country Allocation¹ %

Malta	82.5
Germany	2.7
Belgium	2.1
Portugal	1.4
Spain	1.1
France	1.0
Romania	0.8
Poland	0.7
Slovenia	0.7
Hungary	0.7

¹ including exposures to CIS

Currency Allocation %

EUR	99.0
USD	1.0

By Issuer¹ %

Government of Malta	82.5
Kingdom of Spain	8.0
Government of Portugal	3.0
Lyxor Euro	2.2
Government of Italy	0.8
US Treasury	0.8

Asset Allocation %

Cash	2.7
Bonds	95.1
CIS/ETFs	2.2

Top 10 Exposures %

1.00% MGS 2031	9.8
4.50% MGS 2028	8.9
5.25% MGS 2030	7.9
4.45% MGS 2032	5.7
4.00% MGS 2033	4.1
4.30% MGS 2033	4.0
5.20% MGS 2031	3.7
5.10% MGS 2029	3.5
3.95% MGS 2028	3.3
2.30% MGS 2029	3.2

Maturity Buckets² %

0 - 5 years	18.9
5 - 10 years	59.7
10 years +	16.5

² based on the Next Call Date (also includes cash)

Historical Performance to Date

Unit Price (EUR)



Source: Calamatta Cuschieri Investment Management Ltd.

Regional Allocation^{1,3} %

Malta	85.2
Europe (excl. Malta)	14.1
North America	0.8

³ Malta exposure includes Cash Holdings

By Credit Rating %

AAA-A	87.5
BBB	4.0
BB	0.0
B	0.0
Less than B	0.0
Not Rated	1.7

Performance History

Past performance does not predict future returns

Calendar Year Performance	YTD	2023	2022	2021	2020	2019	Annualised Since Inception***
Share Class A - Total Return**	-0.41	2.72	-14.04	-3.04	1.31	8.98	-0.87
Total Return	1-month	3-month	6-month	9-month	12-month		
Share Class A - Total Return**	0.35	-0.49	-0.41	3.99	2.73		

* The Accumulator Share Class (Class A) was launched on 21 April 2017

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

*** 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.

Introduction

Malta's economy is showing positive signs in the first half of 2024. Growth projections hover around a robust 4.6%, placing Malta well ahead of the Eurozone average. This momentum is driven by foreign trade as exports noted a strong performance (growing 7.4%) while imports only increased by 2.4%. Additionally, domestic demand resurged. The tourism sector is experiencing a significant rebound, while a steady inflow of workers is bolstering consumer spending. Inflation, though a concern, appears to be moderating.

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.

From a performance perspective, government bond markets across Europe proved jittery due to political uncertainty. This weakness was especially pronounced in certain countries. The recent rise of right-wing nationalist parties in European Parliament elections, particularly in France, contributed to this market nervousness. President Macron's surprise call for snap parliamentary elections further rattled investors, leading to a noticeable widening of the spread between French and German government bonds. This spread, typically below 50bps, jumped above 70bps, indicating a heightened perception of risk in the French market. The same trend of widening spreads affected bonds in other European nations on the periphery, but Malta's bonds held remarkably steady.

Fund Performance

The CC Malta Government Bond Fund outperformed in June, with a gain of 0.35%, despite the fund's exposure to foreign bonds, particularly European sovereign bonds noting a widening in yields.

Throughout the month, the Manager maintained its portfolio allocation after having reduced its cash exposure while increasing the portfolio's exposure to longer-date Maltese and European sovereigns, in the previous months.

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 European sovereign bond market, albeit witnessing some turbulence in the short-end amid nervousness surrounding Europe's political stature, is positive with the European Central Bank leaning towards furthering its easing stance, initiated in June.

Disclaimer

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