

**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) 48.69  
 Month end NAV in EUR 80.78  
 Number of Holdings 134  
 % of Top 10 Holdings 19.0

**Current Yields**

Last 12-m Distrib. Yield (%) 4.10  
 Underlying Yield (%) 5.34

**Risk Statistics**

	3Y	5Y
Sharpe Ratio	-0.60	-0.27
Std. Deviation (%)	5.03%	7.75%

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

Country	%
United States	24.8
France	10.8
Germany	10.3
Italy	5.7
Netherlands	5.1
Spain	4.5
Brazil	3.6
Luxembourg	3.1
Turkey	2.6
Malta	2.3

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

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

Credit Rating	%
From AAA to BBB-	18.1
From BB+ to BB-	49.7
From B+ to B-	14.6
CCC+	2.3
Less than CCC+	2.4
Not Rated	2.3
<b>Average Credit Rating</b>	<b>BB</b>

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

**Top 10 Exposures**

Exposure	%
iShares Fallen Angels HY Corp	2.8
4% JP Morgan Chase & Co perp	2.4
7.5% Nidda Healthcare Holding 2026	2.0
7.935% Encore Capital Group Inc 2028	1.9
iShares Euro High Yield Corp	1.9
iShares USD High Yield Corp	1.8
4.625% Volkswagen perp	1.7
4.875% Cooperative Rabobank perp	1.6
4.375% Cheplapharm 2028	1.6
3.5% VZ Secured Financing 2032	1.5

**Currency Allocation**

Currency	%
EUR	67.8
USD	32.2
Others	0.0

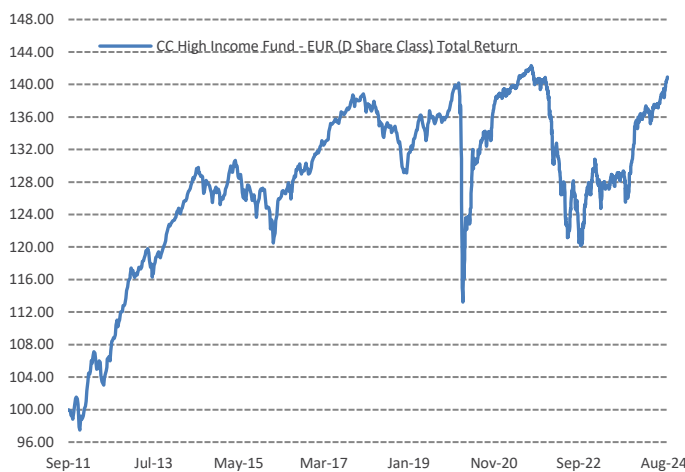
**Asset Allocation**

Asset Class	%
Cash	4.2
Bonds	89.3
CIS/ETFs	6.4

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

Maturity Bucket	%
0 - 5 years	68.4
5 - 10 years	17.0
10 years +	3.9

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

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


Source: Calamatta Cuschieri Investment Management Ltd.

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

Sector	%
Banks	10.9
Telecommunications	10.3
Pharmaceuticals	8.6
Auto Parts&Equipment	6.5
Funds	6.4
Commercial Services	4.6
Chemicals	3.7
Media	3.2
Mining	3.2
Oil&Gas	3.0
Entertainment	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****	3.92	7.26	-10.13	1.48	-0.15	2.67
	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****	1.08	2.68	3.45	7.09	9.23
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\* 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

Investors experienced a tumultuous August, marked by significant market volatility. Hopes of a late summer lull were quickly dashed as disappointing US economic data and a surprise interest rate hike by the Bank of Japan triggered a flight to safety. However, as the month progressed, optimism about potential Federal Reserve interest rate cuts helped to revive investor sentiment.

In the US, weaker-than-expected economic indicators fuelled recession fears. July's ISM manufacturing print came in well below expectations whilst the jobs report showed the smallest payrolls increase (114k) in over three years, both pointing to a slowing economy. Additionally, the rise in the unemployment rate increased market expectations for a recession. Meanwhile, the Bank of Japan's decision to raise interest rates and its hawkish stance led to a sudden unwinding of carry trade positions, financed by cheap Japanese yen borrowing.

Despite experiencing bouts of notable market volatility, fixed-income investors enjoyed a positive month. The flight to safety and anticipation of future rate cuts boosted the performance of government bonds. Among developed sovereign bonds, US Treasuries outperformed its European counterparts, as investors grew more confident in the Federal Reserve's potential for more aggressive rate cuts compared to the European Central Bank. Japanese government bonds too rallied, benefiting from increased domestic demand following the unwinding of carry trade positions.

In tandem with the tightening observed in government bonds, investment-grade credit also displayed robust performance, with the US outpacing its European counterpart. Meanwhile, European and US high yield corporates delivered returns of c. 1.15% and 1.59%, respectively. The Bloomberg Global Aggregate Index posted a gain of 2.37%, driven by such tightening in yields.

## Market Environment and Performance

The economic disparity between the US and the Eurozone has continued to narrow. While the US economy, once exceptionally resilient, is now showing signs of cooling, the Eurozone has maintained a relatively steady economic trajectory. However, recent Purchasing Managers' Index (PMI) data suggests that a Eurozone slowdown may be imminent.

Despite this, August's Eurozone Composite PMI figure came in well above expectations. Growth was carried by a four-month-high expansion for the services sector (53.3 vs 51.9 in July), offsetting two straight years of decline for the manufacturing sector (45.6 vs 45.8). Aggregate levels of new orders continued to diverge in the period, with new business among service providers expanding softly but that for factories declining sharply, driving new business to decrease for the third month at the aggregate level. Manufacturing activity steady at contractionary levels, with leading economies such as Germany and France noting a continued deepening of the recession in the manufacturing sector.

Inflation in the Eurozone continued to decline, although core inflation remained sticky at 2.80%. A particular concern for the ECB is services inflation, which rose to 4.2% in August, from 4% in July. A figure which remains uncomfortably high for the central bank, with no clear signs yet of momentum in these price gains abating. The labour market remained healthy, unemployment rate revolving at notable lows (6.4% as at July), and significantly below a 20-year average of 9.3%. Wage growth too have slowed, with negotiated pay rising 3.6% from the previous year in Q2, down from 4.7% in the previous 3-months.

The US economy, still demonstrating notable resilience, portrayed nascent signs of cooling. Manufacturing (reading 47.9 v 49.6 in the previous month) pointed to a deterioration in business conditions, while services (reading 55.7 v 55.0 in the previous month) continued to note modest growth. New orders growth in services outweighed a decline in manufacturing. Meanwhile, Employment levels were down for the first time in three months, as both sectors reported declines.

In the US, disinflationary trends sustained, with the more recent data proving supportive for a first rate cut towards year-end. Indeed, the latest inflation release showed a modest slowing, as headline inflation fell for a fifth straight month to 2.5% in August, the lowest since February 2021, from 2.9% in July, and below forecasts of 2.6%. Core inflation, which excludes volatile items such as food and energy, stood at an over three-year low of 3.2%, matching July's figure and aligning with market expectations. On the employment front, the labour market continued to exhibit signs of cooling. Revised data from the Bureau of Labor Statistics showed that US job growth for the year ending in March 2024 was weaker than initially reported, with 818k fewer jobs added. In August, the US economy added 142k jobs, which is more than the downwardly revised July figure but below forecasts. On a more positive note, the unemployment rate eased to 4.2%, aligning with market expectations.

## Fund Performance

The CC High Income Bond Fund closed the month higher (1.07%) 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. Credit issuers which the CC High Income Bond Fund increased its exposure to include; Ineos Finance plc, CMA CGM, Freeport McMoran, Boels, Cooperative Rabobank, Zegona Finance, Teva Pharmaceuticals, and to Europe's largest independent telecom's infrastructure provider Cellnex.

## Market and Investment Outlook

The narrative for credit markets remained largely unchanged in August, with investor focus centered on economic data and central bank policy. In their most recent and respective policy meetings, central bankers maintained a restrictive bias, exhibiting a subtle shift towards a more dovish tone. Both the ECB and Fed have emphasized data dependency, albeit with distinct priorities. The ECB is closely monitoring inflation, particularly within the services sector, anticipating a continued decline. The Federal Reserve, with its dual mandate of price stability and maximum employment, sees the upside risk to inflation diminishing but the downside risk to employment increasing. This suggests a need for a policy adjustment, but it should not be interpreted as prioritizing employment over inflation. A shift in the balance of risks does not mean a change in the importance attached to each goal.

The anticipation of year-end interest rate cuts fosters a positive outlook for the global bond market. We believe locking in current attractive coupon levels is prudent before potential policy easing.

Going forward, we will continue to actively assess market conditions and capitalize on compelling credit opportunities. In line with recent portfolio adjustments, we will continue to gradually increase the portfolio duration and exposure to European credit. This strategic shift is underpinned by Europe's earlier stage in the credit cycle, offering potential upside, and the prospect of the ECB leading global rate cuts.

## Disclaimer

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Address: Calamatta Cuschieri Investment Management Limited, Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034.