

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

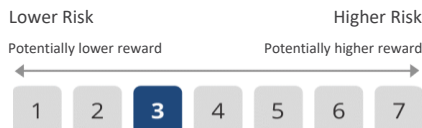
ISIN MT7000026472
 Bloomberg Ticker CCHIBFE MV

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) 47.89
 Month end NAV in EUR 82.16
 Number of Holdings 137
 % of Top 10 Holdings 19.2

Current Yields

Last 12-m Distrib. Yield (%) 4.20
 Underlying Yield (%) 5.38

Risk Statistics

	3Y	5Y
Sharpe Ratio	-0.35	-0.22
Std. Deviation (%)	5.21%	7.71%

Country Allocation¹

Country	%
United States	25.1
France	11.1
Germany	9.6
Italy	5.9
Netherlands	5.4
Spain	4.6
Brazil	3.6
Luxembourg	3.5
Turkey	2.8
Malta	2.4

¹ including exposures to CIS

Credit Rating²

Credit Rating	%
From AAA to BBB-	19.5
From BB+ to BB-	49.3
From B+ to B-	15.2
CCC+	0.0
Less than CCC+	3.8
Not Rated	2.4
Average Credit Rating	BB

² excluding exposures to CIS

Top 10 Exposures

Exposure	%
iShares Fallen Angels HY Corp	2.8
4% JP Morgan Chase & Co perp	2.6
7.429% Encore Capital Group Inc 2028	1.9
iShares USD High Yield Corp	1.9
iShares Euro High Yield Corp	1.9
4.625% Volkswagen perp	1.7
4.875% Cooperative Rabobank perp	1.6
5.8% Turkcell 2028	1.6
4.375% Cheplapharm 2028	1.6
3.5% VZ Secured Financing 2032	1.6

Currency Allocation

Currency	%
EUR	66.4
USD	33.6
Others	0.0

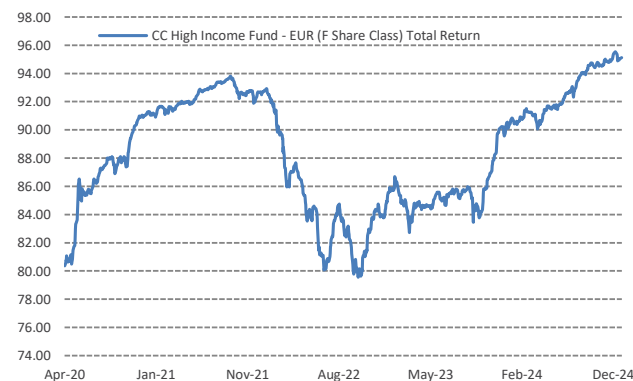
Asset Allocation

Asset Class	%
Cash	3.3
Bonds	90.1
CIS/ETFs	6.6

Maturity Buckets³

Maturity Bucket	%
0 - 5 years	73.5
5 - 10 years	12.6
10 years +	4.1

³ based on the Next Call Date

Historical Performance to Date**


Source: Calamatta Cuschieri Investment Management Ltd.

Sector Breakdown²

Sector	%
Banks	11.5
Telecommunications	10.7
Pharmaceuticals	7.8
Auto Parts&Equipment	6.7
Funds	6.6
Commercial Services	4.1
Entertainment	3.6
Media	3.5
Auto Manufacturers	3.0
Mining	2.9
Oil&Gas	2.9
Transportation	2.6

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****	5.41	7.74	-9.72	1.85	13.36	3.66

Total Return	1-month	3-month	6-month	9-month	12-month
Share Class F - Total Return****	0.22	0.40	3.61	4.24	5.41

* Data in the chart does not include any dividends distributed since the Fund was launched on 24th 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 24th 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

The fixed income markets experienced considerable volatility in the fourth and final quarter of 2024, primarily driven by geopolitical tensions, central banks' decisions and guidance, and fluctuating inflation figures. Notably, the period was marked by notable sell-offs in major government bond markets.

US Treasuries sold off in October amid concerns over potential inflationary policies arising from a possible Republican victory in the presidential election. Inflation figures unexpectedly rose leading to an increase in bond yields as the market adjusted its expectations, pricing in fewer rate cuts for 2025. The Federal Reserve implemented another 25bp rate cut in December, the third consecutive reduction this year, bringing the federal funds rate to the 4.25-4.5% range. The Fed's "dot plot" now suggests only two rate cuts in 2025, totalling 50bp, down from the full percentage point projected previously. The 10-year Treasury yield surged, ending the year at 4.57%, reflecting market uncertainty regarding the Fed's future policy direction and expectations of heightened inflation expectations under a Trump administration.

The European Central Bank (ECB) also cut rates in its final meeting of 2024, marking a fourth reduction, in line with market expectations. The ECB signalled a commitment to gradual rate cuts, as uncertainties surrounding economic growth persist. Political instability in France and Germany further complicated the landscape, with French yields surpassing those of Greek bonds for the first time. The 10-year German Bund yield closed the year at 2.37%, while the euro weakened against the dollar, reflecting market concerns.

In December, the corporate bond market presented a mixed picture. Investment-grade bonds faced a general decline, while lower-rated segments proved more resilient. Despite negative returns for US high yield, Euro-denominated credit delivered a positive return; 0.63%. European and U.S. investment-grade high-yield credit recorded -0.44% and -1.78%, respectively.

Market Environment and Performance

The economic disparity between the US and the Eurozone remained. While Europe's economy has consistently shown signs of weakening, particularly as its largest economies continue to face a deterioration in economic metrics, the US has maintained a steady economic trajectory. More recent Purchasing Managers' Index (PMI) figures continued to support these trends, indicating a sustained slowdown in the Eurozone.

December's Eurozone Composite PMI, albeit revised higher, pointed to a contraction in private business, as manufacturing (45.1 v 45.2 in November) deteriorated further while services (51.6 v 49.5 in November) pointed to a renewed upturn in output, though it remained moderate and below the survey average. Overall, new business continued to fall, extending a seven-month decline, with weak domestic and export demand. Employment too fell, at the sharpest rate in four years, driven by manufacturing job cuts. On the price front, pressures intensified, with input costs, particularly in services, rising at a fast rate, pushing overall inflation higher.

Inflation, previously noting a substantial decline due to base effects (particularly on energy), accelerated for a third straight month to 2.4% in December 2024, the highest rate since July, compared to 2.2% in November and in line with expectations. Core inflation remained steady at 2.7% while services inflation edged higher to 4.0% from 3.9% in the previous month. The labour market, a beacon of hope for the Eurozone, remained healthy, with the unemployment rate revolving at notable lows (6.3% in November), and significantly below a 20-year average of 9.3%.

The US economy continued to demonstrate notable resilience, with the economy expanding at annualized 3.1% in Q3, above the 2.8% noted in the advanced reading from the Bureau of Economic Analysis. Leading indicators, notably PMI figures, remained overall robust, indicating a strong monthly rise in overall output in December, primarily driven by the services sector (PMI at 56.8). Meanwhile, contrasting the resilient services sector, manufacturing, albeit at a softer pace than initially feared, extended the contractionary momentum.

Disinflationary trends, previously consistently observed, marked a third successive increase. Indeed, the latest inflation release in the US accelerated to 2.7% in November 2024, up from 2.6% in October. Meanwhile, core inflation, which excludes volatile items such as food and energy, remained steady at 3.3%. On the employment front, the U.S. economy added just 256k jobs, the most in nine months, following a downwardly revised 212k in November, and expected 160k. The unemployment rate held steady at 4.1%, further affirming labour market resilience.

The CC High Income Bond Fund rose 0.58% in December, reflecting the overall positive performance across credit markets.

The manager, in line with its mandate, maintained an active approach to managing the portfolio. Throughout Q4, 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 multiple initial offerings.

Fund Performance

The narrative for credit markets remained largely unchanged at the end of the year, with investor focus centered on the political landscape, economic data, and central bank policy.

Central banks have recently adopted a more accommodative stance, tailoring their policies to specific economic needs. Both the European Central Bank (ECB) and the Federal Reserve (Fed) have emphasized data-driven decision-making, with a particular focus on the employment market. However, vigilance surrounding inflation particularly in the US due to recent stronger-than-expected readings on inflation and the likely effects of potential changes in trade and immigration policy, has been maintained. The Fed, with its dual mandate of price stability and maximum employment, expressed concerns that the disinflationary process might have temporarily stalled, yet optimistic on the labour market which remained robust. The ECB, grappling with a weakening Euro and declining economic activity, remains focused on ensuring inflation returns to its 2% target and will adjust its policies based on incoming data, without committing to a fixed rate path.

The observed widening of credit spreads, coinciding with elevated inflation figures and a potential deceleration of tapering measures, has presented favorable market conditions for investment. Notwithstanding, the prevailing uncertainty, particularly with respect to the trajectory of the yield curve, necessitates a vigilant approach. Moreover, the persistence of political instability demands continued caution. Consequently, securing attractive coupon rates remains a prudent course of action, especially for credit issuers with strong fundamentals.

In line with recent portfolio adjustments, we will adjust the portfolio's duration as deemed necessary. Additionally, we aim to further increase the portfolio's exposure to European credit. This strategic shift is motivated by Europe's earlier stage in the credit cycle and the ECB's potential to lead global rate cuts.

Market and Investment Outlook

Disclaimer

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