SOLID FUTURE DEFENSIVE FUND

SHARE CLASS A

Factsheet as at 28th February 2025

Month end NAV as at 25th February 2025

Investment Objective and Policy

The Fund aims to deliver a positive total return in any three year period from a flexibly managed portfolio of global assets whilst maintaining a monthly VaR with a 99% confidence interval at or below 5% at all times. The Investment Manager shall invest primarily in a diversified portfolio across a wide spectrum of industries and sectors primarily via bonds, equities and eligible ETFs. Investment in these asset classes either directly or indirectly through UCITS Funds and/ or eligible non UCITS Funds. The Fund is actively managed, not managed by reference to any index.

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.

Key Facts

Asset Class	Balanced
Fund Launch Date	25-Oct-2011
Share Class Launch Date	25-Oct-2011
Fund Base Currency	EUR
Share Class Currency	EUR
Fund Size (AUM)	16.6 EUR
Fund Type	UCITS
ISIN	MT7000003687
Bloomberg Ticker	SFUDEFA MV
Distribution Type	Accumulating
Minimum Initial Investment	2,500 EUR
Month end NAV	157.27 EUR
VAR	4.74%

Charges

Total Ongoing Charges		3.60%
Entry Charge		0.75%
Exit Charge	Y_1	5.00%
	Y_2	4.00%
	Y_3	3.00%
	After	Nil

Currency fluctuations may increase/decrease costs.

Risk and Reward Profile

This section should be read in conjuction with the KIID

Lower Risk — Higher Risk

Potentially lower reward — Potentially higher reward

Asset Allocation *

Asset Allocation *	%
Conventional Bonds	66.6
Equity	30.0
Cash	3.3

Currency Allocation *

Currency Allocation *	%
EUR	65.2
USD	34.2
GBP	0.6

* Without adopting a look-through approach

Top 10 Holdings

Top 10 Holdings	%
Amundi Euro Gov Bond 10-15Y	11.0
Amundi Euro Gov Bond 7-10Y	5.2
iShares Euro Corp Large Cap	4.1
iShares Euro HY Corp	3.6
iShares Fallen Angels HY Corp	3.1
3% Govt of France 2033	2.5
iShares USD HY Corp	1.9
Uber Technologies Inc	1.9
Amazon.com Inc	1.5
Alphabet Inc	1.4
% of Top 10 Holdings	**36.2**

Country Allocation **

Country Allocation **	%
Europe ex UK	49.0
North America	38.0
UK	6.4
Emerging/Frontier Markets ex China	3.4
China	1.5
Japan	1.1
Asia Pacific ex Japan	0.7

** Including exposure to CIS, adopting a look-through approach

Sector Allocation ***

Sector Allocation ***	%
Government	21.2
Communications	17.8
Financials	15.5
Consumer Staples	12.2
Consumer Discretionary	10.1
Technology	7.6
Industrial	6.2
Energy	2.6
Basic Materials	2.3
Utilities	2.0
Other	2.5

*** Adopting a look-through approach

Bond Credit Rating *

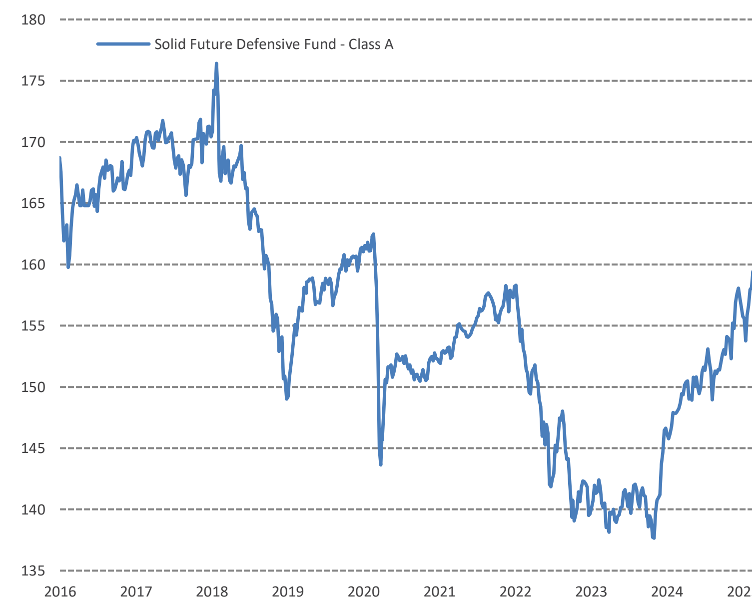
Bond Credit Rating *		%
Investment Grade	AAA	1.1
	AA	3.6
	A	23.5
	BBB	7.3
High Yield	BB	22.0
	B	4.2
	CCC	0.9
Non-Rated		4.0

Bond Portfolio Duration

Modified Duration	5.19

Historical Performance to Date

Past performance does not predict future returns



Performance History [1,2]

	Cum.	Ann.
YTD	0.98	
1-month	0.38	
3-month	0.23	
6-month	4.10	
9-month	4.86	
1-year	6.11	6.11
3-year	3.86	1.26
5-year	-2.01	-0.40
2024		6.21
2023		5.01
2022		-11.74
2021		4.06
2020		-5.59
2019		8.08
2018		-12.57
2017		0.25

[1] Returns quoted net of TER. Entry and exit charges may reduce returns for investors.

[2] 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. Currency fluctuations may affect the value of investments and any derived income.

Market Commentary

Introduction

The last week of February turned out to develop as a crisis of American unpredictability as the decision-making process and subsequent readjustments from the new Trump administration have conquered in rattling financial markets. While the protectionist agenda so far enforced amounts to a considerably higher estimated impact compared to measures taken during the first Trump mandate, markets have really been taken by surprise by such decisive action, with the big R word (read "recession") resurfacing again in the US. Against basic economic theory, the current US leadership actions have not been welcomed by markets, leaving in the dust the American exceptionalism theme which dominated just some months ago.

Meanwhile, market participants have rediscovered Europe and China as viable alternatives, which was unthinkable just a year ago. Geopolitical factors stemming from the need to step up its military defence against a potential Russian aggression has revitalized the Eurozone as a relevant economic bloc, active in finding its own footing in the very complicated landscape nowadays. A reassessment of the need to collaborate with the corporate sector in propping up domestic economic growth has been the main act in China as the central leadership signalled a warming up particularly towards the local technology sector. To paraphrase a political adage, it takes years for some major economic themes to play out in financial markets, but sometimes just weeks for market consensus to shift.

From the monetary front, while the FOMC had no meeting scheduled during the month, markets now expect for the FED to wait until next quarter before cutting rates again being faced with the threat of rising inflation. Inflation forecasts have raised on concerns that the new administration's policies, particularly on tariffs could reignite price pressures in the economy. Recently FED officials themselves, including Chair Powell, have admitted they are not in a hurry to lower rates further. In Europe, as the ECB did not hold a monetary policy meeting during the month, expectations remained constant as regards a further 25basis-point interest rate cut next month as the disinflation process remains on track.

In equity markets the last week of February has literally flipped the virtual market consensus as regards the continuation of American domination well into 2025. Since Christmas 2024, US markets underperformed their European and Chinese peers, in a total contradiction to what we have witness since the Great Financial Crisis, moves which recaps the beginning of 2023. That time around such development proved to be a fluke, as the then nascent AI tailwind quickly reverted things back to normal. This time however the challenge of US dominance in market performance might prove to be more sustainable. This time, the political change in the US, which seem to lead to unorthodox economic policies, combined with valid game-changing factors ripe to benefit both European and Chinese markets, can make such reality more sustainable. Finally, it looks like the valuation gap between the US and the rest has found a reason to shrink again after many years of failed attempts. The gap does not necessarily need to close, but the low base from which it all starts gives it the potential of quite some time to balance. Even from a theoretical standpoint it would make sense for such a process to take place now as the fundamental advantage of US markets, namely an outsized weighting in technology and growth stocks, does not quite do the trick in a higher interest rate environment, with higher cost of opportunity and requiring higher equity returns. Value sectors are at an advantage on a comparative basis requiring less margin of safety and being more competitive with bond pay-outs through dividend pay-outs. Of course, all this might turn on its head should the Trump doctrine perform an U-turn, which seems unthinkable right now. But also, an alternative to US markets seemed unthinkable just a quarter ago. So, it's definitely a wait and see process and do not sell the noise strategy.

Market Environment and Performance

In February, the economic picture was brightening after stagnation. The monthly PMI reading remained steady at 50.2, unchanged from the previous month and indicating a marginal economic growth in the bloc. Spain led the expansion with a strong and accelerated rise in business activity, while Ireland also saw faster growth, and Italy returned to expansion for the first time in four months. Germany experienced only modest growth, and France's activity continued to decline. Headline inflation eased to 2.4% as price growth slowed for services and energy, while core inflation fell to 2.6%, the lowest level since January 2022.

The US economy exhibited signs of emerging growth concerns, driven by potential tariff impacts and persistent inflationary pressures. The Composite PMI sharply declined to 50.4 from January level of 52.7, signalling near-stagnation in private sector activity. This marked the slowest expansion since September 2023, with a renewed contraction in services output. Business optimism reached a low point reflecting anxieties about federal spending cuts, tariffs, heightened price pressures and geopolitical uncertainties. The headline inflation posted a 2.8% reading in February, although slightly below market expectations. Core inflation also eased to 3.1%, rising by 0.2% month-over-month.

In February, global equity markets have put an end to the optimism it has embraced since the outcome of the US elections late last year, while at the same time asking serious questions about the American exceptionalism that was supposed to dominate financial markets this year. While the overall performance was only marginally negative, its sector-based segregation looked much more typical to a bear market, where consumer staples, energy and utilities heavily outperformed technology and consumer discretionary. Following on the debacle of the AI rally, the Magnificent 7 were the burden that pushed US markets toward a huge underperformance year-to-date compared to European and Chinese markets. The S&P 500 index lost 1.21% as even another set of impressive earnings from Nvidia failed to impress investors. European markets continued their strong run as institutional investors are changing their perennially negative sentiment toward the region even for a while. The EuroStoxx50 gained 3.34% while the DAX gained 3.77%.

Meanwhile, credit witnessed continued positive performance across corporate bond markets, albeit with varying regional dynamics. European high yield bonds exhibited a 1.04% gain, surpassing investment grade performance. In the US, a combination of slight spread widening and shorter duration resulted in US high yield underperforming, posting returns of 0.65%. The weakening US dollar provided tailwinds for emerging market debt, which recorded a 1.34% return.

Fund Performance

In the month of February, the Solid Future Defensive Fund registered a 0.38 per cent gain. On the equity allocation, The Fund's allocation has been rebalanced, as the Manager aligned it to the market sentiment. Exposures to Blackrock Inc, PayPal Holdings, Booking Holdings and Uber Technologies have been increased given attractive entry prices offered by the market. Consequently, holdings in Walt Disney, Moody's Corp and iShares US Property Yield UCITS ETF were liquidated based on decreased upside expectations and negative momentum. From the fixed income front, the Manager – to further increase the portfolio's Euro-denominated debt exposure and income generation (prior to potential policy changes that could negatively affect income returns) - added the 4.066% Ford Motor Credit Co LLC 2030 bond. Consistent with this strategy and to optimize risk-adjusted returns, the manager liquidated the fund's exposure to the 5% Altice Finance 2028 bond, effectively mitigating potential downside risk, related to the issuer's specific credit profile. This was replaced by the 4% Metro AG 2030.

Market and Investment Outlook

Going forward, the Manager believes that the conflicting measures taken by the Trump administration within its first weeks as regards trade policies have created material uncertainty on expectations of global economic and inflationary pressures. What initially was believed to be either a straightforward protectionist policy or a negotiating tactic, looks increasingly just an improvised trade policy without purpose with significant odds of generating a US recession. A collateral damage of such behaviour is monetary policy, as interest rates future pathway have by now became anyone's guess. While European and Chinese political factors have moved towards a more active support for their domestic economies and show no signs of appeasement in relation to the US trade aggressiveness, expectations for the global macroeconomic landscape as drafted after the US election should undergo a revision.

Given the above, the Manager remain conservative as regards market return expectations, combining a diversified allocation with heightened exposure to quality companies and business models benefitting from secular growth trends agnostic to specific macroeconomic developments. The Manager's strategy remains intact in terms of acting more opportunistically in deploying capital in specific sectors where the overriding sentiment warrants a more attractive upside potential over the shorter timeframe, and using cash levels as dry powder to be used during episodes of market overshooting.

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