

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

MT7000030920

Bloomberg Ticker

CCHIBNC MV

Charges

Entry Charge

Up to 2.5%

Exit Charge

None

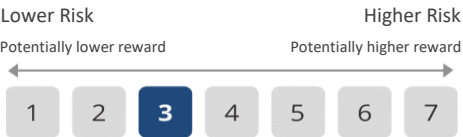
Total Expense Ratio

1.91%

Currency fluctuations may increase/decrease costs.

Risk and Reward Profile

This section should be read in conjunction with the KID



Portfolio Statistics

Total Net Assets (in €mns)

45.98

Month end NAV in USD

80.37

Number of Holdings

138

% of Top 10 Holdings

18.6

Current Yields

Last 12-m Distrib. Yield (%)

4.10

Underlying Yield (%)

5.56

Risk Statistics

Sharpe Ratio

0.10

0.43

Std. Deviation (%)

4.76%

5.06%

Country Allocation¹

United States	23.2
France	11.4
Germany	9.4
Italy	6.7
Netherlands	5.1
Luxembourg	4.5
Spain	4.3
Brazil	3.3
Turkey	2.8
United Kingdom	2.3

¹ including exposures to CIS

Credit Rating²

From AAA to BBB-	16.6
From BB+ to BB-	53.7
From B+ to B-	14.0
CCC+	0.6
Less than CCC+	3.3
Not Rated	1.8
Average Credit Rating	BB

² excluding exposures to CIS

Top 10 Exposures

iShares Fallen Angels HY Corp	2.9
7.035% Encore Capital Group Inc 2028	2.0
iShares USD High Yield Corp	2.0
iShares Euro High Yield Corp	1.9
4.625% Volkswagen perp	1.8
4.875% Cooperative Rabobank perp	1.7
4.375% Cheplapharm 2028	1.6
6.75% Societe Generale perp	1.6
3.5% VZ Secured Financing 2032	1.6
3.5% Energizer Gamma 2029	1.5

Currency Allocation

EUR	69.3
USD	30.7
Others	0.0

Asset Allocation

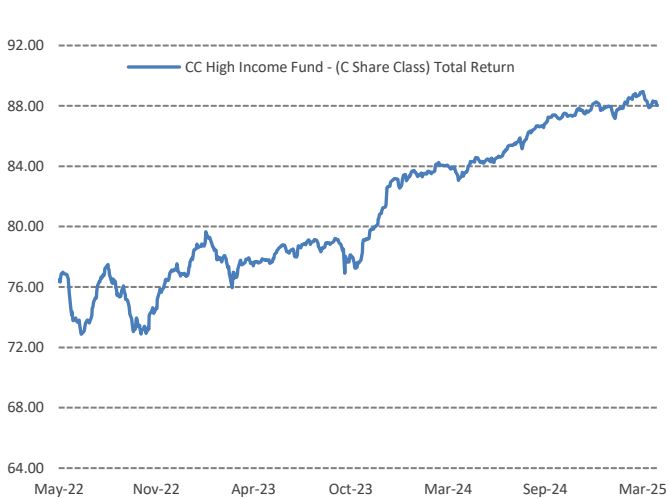
Cash	3.1
Bonds	90.1
CIS/ETFs	6.8

Maturity Buckets³

0 - 5 years	73.2
5 - 10 years	13.5
10 years +	3.4

³ based on the Next Call Date

Historical Performance to Date**



Source: Calamatta Cuschieri Investment Management Ltd.

Sector Breakdown²

Banks	11.4
Telecommunications	9.7
Pharmaceuticals	7.8
Funds	6.8
Auto Parts&Equipment	6.4
Commercial Services	4.3
Media	3.5
Entertainment	3.3
Chemicals	3.2
Cash	3.1
Auto Manufacturers	3.0
Transportation	3.0

Performance History**

Past performance does not predict future returns

Calendar Year Performance

	YTD	2024	2023	2022	2021	Annualised Since Inception***
Share Class D - Total Return****	0.09	1.38	4.71	N/A	N/A	1.81

Total Return	1-month	3-month	6-month	9-month	12-month
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Share Class D - Total Return****	-1.01	0.09	0.71	1.85	0.40
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* The share class C was launched on 21 May 2022.

** 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

The global macroeconomic environment underwent a notable shift in the first quarter of 2025. US exceptionalism came under pressure as heightened policy uncertainty triggered a sharp decline in sentiment, intensifying recession concerns. Meanwhile, a significant change in Germany’s fiscal policy improved the economic outlook across Europe, leading to a pronounced divergence in fixed income markets.

Germany held federal elections in February, with Friedrich Merz’s Christian Democratic Union (CDU) securing the largest share of votes. Merz expressed his intention to form a coalition government by Easter. In March, Germany's parliament approved plans under the incoming Chancellor to relax the country’s borrowing restrictions, specifically exempting defence and security spending from strict debt limits. This move also enabled the launch of a €500 billion infrastructure fund to be deployed over the next 12 years. Consequently, German Bunds bore the brunt of the ensuing sell-off across the eurozone, with yields recording their largest daily jump since reunification in 1990 following the announcement (yields move inversely to price). There was a partial reversal of the market weakness towards the end of the quarter as focus turned to US “Liberation Day”, and thus the announcement of a broader swathe of tariffs.

Central bank policy action remained pivotal in Q1. The European Central Bank cut interest rates by a total of 50bps across its January and March meetings. Meanwhile, the Federal Reserve held the federal funds rate steady in March at 4.25-4.5%, maintaining the pause in its rate-cutting cycle that began in January. Fed Chair Jerome Powell acknowledged growing uncertainty in the economic outlook but reiterated expectations of approximately 50bps in rate reductions over the course of the year.

US Treasuries outperformed during the quarter, with yields declining significantly (and prices rising) in response to weaker economic data. Divergence was also evident in corporate bond markets. Divergence was evident in corporate bond markets. Credit delivered positive returns over the quarter, despite a risk-off tone in March that weighed especially on high-yield segments. Overall, US dollar-denominated bonds outpaced euro-denominated debt, with investment-grade returns at 2.36% versus 0.14%, and speculative-grade returns at 0.94% versus 0.64%.

Market Environment and Performance

The US economy exhibited signs of emerging growth concerns, driven by potential tariff impacts and persistent inflationary pressures. Leading indicators, following a sharp decline in February rebounded at quarter-end, with March’s Composite PMI noting solid growth (53.5 v a previous month reading of 51.6) in the US private sector, largely driven by a pickup in services activity as manufacturing output declined. Meanwhile, concerns over the impact of federal government policies, especially in relation to tariffs, caused sentiment to fall to its second-lowest level since the end of 2022.

On the inflation front, concerns eased as both headline and core inflation declined more than expected in February. Headline inflation dropped to 2.8% from 3%, coming in below forecasts. Core inflation, which excludes volatile components such as energy, food, alcohol, and tobacco, also fell to 3.1% from 3.3% the previous month. Despite some signs of softening, the labour market remained resilient. Job growth exceeded expectations, although the unemployment rate edged up slightly to 4.2%. Critically, average hourly earnings rose by 3.8%, below forecasts of a 3.9% rise and February’s 4% advance.

In Europe, the economic outlook improved after stagnation in Q4 2024. PMI readings remained in expansionary territory since the start of the year. March’s Composite PMI edged up to 50.9 from 50.2 in January and February, pointing to a modest expansion across the euro area. Spain led the recovery with strong and accelerating business activity throughout the quarter. In Germany, March data signaled the strongest private sector expansion in ten months, as the manufacturing slump eased and production rose for the first time in nearly two years. France, however, remained an outlier, recording a seventh consecutive month of contraction in private sector activity.

On the price front, inflation continued to decline, reinforcing confidence that the disinflation process is on track and converging toward the ECB’s medium-term target of 2%. In March, annual inflation fell to 2.2%, the lowest level since November 2024. Services inflation also eased to a 33-month low, falling to 3.4% from 3.7% in February. The labour market, remained healthy, with the unemployment rate revolving at notable lows (6.1% in February), and significantly below the 20-year average.

Fund Performance

The CC High Income Bond Fund fell 1.14% in March, reflecting the moves observed across credit markets.

In March, the portfolio manager continued to actively manage the fund in-line with its mandate, gradually increasing duration by adding European exposure while reducing dollar-denominated debt. This strategy reflects the European Central Bank's advanced stage in its rate-cutting cycle, contrasting with the US Federal Reserve's stance of holding rates steady, despite pressure from the new administration. Seeking to boost income generation ahead of anticipated further easing, the manager increased or opened new exposures in Aramark, Sappi Papier, Schaeffler, and Celanese. Conversely, the fund decreased its holdings in United Group, Altice, Inpost, International Game Tech, and Autostrade Per L’ Italia.

Market and Investment Outlook

The credit market narrative at the start of the year remained largely unchanged, with investor attention focused on the dynamic political landscape, central bank policies, and economic data.

Economic indicators, both leading and lagging, continue to emphasize a regional divergence. The US, despite the Federal Reserve's "higher for longer" stance, continues to demonstrate resilient broad-based strength, underpinned by a robust labour market that has thus far supported consumer spending. Meanwhile, Europe has displayed early signs of a pickup in growth following stagnation in Q4 2024, with private sector activity remaining in expansionary territory throughout the first quarter.

In credit markets, the interplay between a resilient US labour market and ongoing inflationary pressures supports a cautious, neutral approach to duration, particularly given the continued uncertainty surrounding the yield curve's direction. The imposition of new tariffs - exacerbated by the US’s Liberation Day measures - is expected to further cloud the economic outlook and add complexity to the yield curve's path, as consumers grapple with rising prices and a resurgence in inflationary pressures.

We maintain our current preference, which leans towards European credit, underpinned by the prospects of continued monetary easing by the ECB. Nevertheless, the dynamic nature of the current environment, particularly the constantly evolving geopolitical tensions, require a highly proactive and adaptive management style to navigate potential risks and capitalize on emerging opportunities.

Disclaimer

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