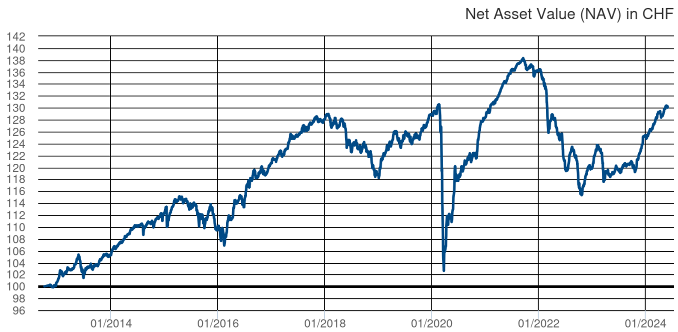
Monthly factsheet as of 31.05.2024

Credit Opportunities Fund (B)

Investment Objective

The Credit Opportunities Fund is a globally investing, yield-oriented bond fund for Swiss investors. It is suitable for investors seeking a steady, positive return in Swiss francs on the bond market.
The approach is based on a strict discipline on the use of the opportunities in the Swiss market as well as in selected international bond markets. The fund is based on macroeconomic and microeconomic risk assessments. Each debtor is subject to a comprehensive overall assessment. An attractive risk / return profile at the rating threshold BBB / BB is preferred.
The fund does not follow any benchmark and aims at absolute positive returns in the medium term. The increase in value is primarily achieved with credit risk premiums and with the roll-down effect. A broad diversification is under consideration, with the Swiss bond market clearly overweight. In the meantime, the investor is accepting certain fluctuations in order to be able to benefit from interesting investment opportunities in the credit sector in the medium to long term.

Performance



1 month	0.99%
3 months	2.31%
2024 (YTD)	3.99%
1 year	9.19%
3 years (annualized)	-1.16%
Since Inception (annualized)	2.30%
Since Inception	30.18%
Lowest NAV	99.85
Highest NAV	138.33
Months with Positive Returns	67%
Sharpe Ratio (last 3 years)	-0.06
Max. Drawdown (last 3 years)	-16.63%
Max. Drawdown Length (days for last 3 years)	286
Max. Drawdown Recovery (days for last 3 years)	-

Modified Duration

< 1 year	36%
1 - 3 years	19%
3 - 5 years	27%
5 - 7 years	9%
> 7 years	9%

Morningstar Rating
10 Year
★★★★★

Fund Facts

Fund Name	PPF ("PMG Partners Funds") - Credit Opportunities Fund - B
Valor	19893847
ISIN	LU0810289230
WKN	A1J1ZV
Bloomberg	PPFPCOB LX
Fund Domicile	Luxemburg
Fund Class	B
Currency	CHF
Cut-Off Time	Daily, until 5pm (CET)
Settlement	T+3
Launch Date	November 2nd, 2012
Fiscal Year End	December 31st
Distribution Policy	Accumulation
Legal Registration	Switzerland

Fund Information*

NAV Total (CHF Mio.)	435.63
NAV Fund Class B (CHF Mio.)	415.78
NAV per Unit (CHF)	130.18
Modified Duration (Years)	3.2
Yield to Worst (%, local currency)	8.6
Yield to Worst (%, hedged CHF)	6.2
ø Credit Rating	BB+
Cash Position (%)	5.5
No. of Sectors	19
No. of Issuers / Issues	149 / 180
Top 10 Positions (%)	16.4

* Securities portfolio, including cash.

Expenses

Management Fee (% p.a.)	0.50
Total Expense Ratio (TER) as of 31.12.2023 (%)	0.79

Investment Amounts

Minimal Initial Investment (CHF)	1'000'000

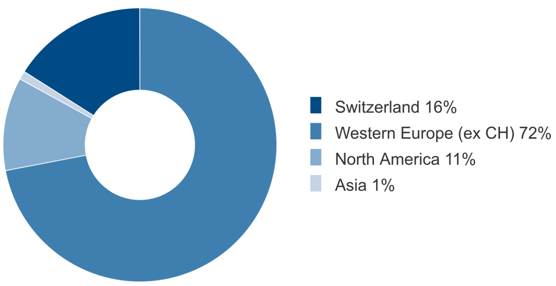
Rating Breakdown

>A	9%
A	2%
A-	2%
BBB+	5%
BBB	9%
BBB-	10%
BB+	9%
BB	12%
BB-	10%
B+	8%
B	17%
B-	5%
<B-	2%

Top 10 Industry Sectors

Banking	14%
Consumer Cyclical	12%
Other Industrial	10%
Insurance	10%
Communications	7%
Transportation	6%
Capital Goods	6%
Other Financial Services	5%
Energy	5%
Technology	3%

Geographic Diversification



Monthly Commentary

In May it appeared once again that persistence in core inflation, and services in particular, risks delaying and dampening rate cut cycles. In the US, expectations of significant, near-term interest rate relief in the form of Fed rate cuts have been continually scaled back. A "shallow" rate cutting cycle (once it eventually begins) looks now more likely. Absent a sharp and unexpected deterioration in the US labor market (which currently looks to be moving into better balance), we struggle to identify a sense of urgency for the Fed to cut rates significantly. Similar arguments apply for the Eurozone (although the ECB being widely telegraphed for a June rate cut), especially after the higher than expected May CPI release with YoY Core HICP printing at 2.9% higher than the YoY US Core PCE at 2.8%. In this "high for longer" interest rate environment - at least relative to the post-financial crisis era - material declines in interest rates (at the policy-sensitive front-end, as well as at the long-end) look unlikely due to the interaction of growth, inflation, monetary policy and fiscal considerations. Similarly, given the current valuations of spreads, we are not expecting significant spread tightening from here. Both factors limit the scope for sizable absolute total returns. Despite the tightness of spreads (see below), the message is that there are still opportunities for investors which want to capture attractive all-in yields.

Within Euro HG corporate bonds yields ended the month unchanged at 3.88%, OAS spreads contracted further by 5bp to 107bp thus corresponding to merely 28% of total yield. In case of US HG bonds yields collapsed to 5.52% (-0.21%), OAS spreads moved slightly southwards by 4bp to 83bp thus matching with just 15% of total yield the lows attained in 2006 before the GFC. Total returns for Euro HG were minimally positive, for US HG strongly positive. Due to the marginal spread compression, excess returns for both Euro HG and US HG were positive. Once again BBB spreads contracted the most. HG corporate valuations relative to Sovereign benchmarks are very stretched. For instance Euro AA yields are lower than 3 month Germany Bubills, Euro A offer just a negligible pick-up, so only Euro BBB is left with 40bp excess yields. For US HG the situation is even more dire: AA and A rated paper offers a lower yield than US T-bills, BBB an excess yield of just 18bp. Total yields consideration and duration views are thus dominant. In the HY space, Euro HY corporate yields decreased to 6.31% (-0.32%) with OAS spreads tightening further to 335bp (-29bp). Similarly, for their US HY peers yields declined to 8.0% (-0.11%) but OAS spreads increased marginally to 302bp (+4bp). Total returns for both Euro and US HY were comfortably positive. Excess returns were clearly positive for Euro HY but only slightly so for US HY which felt spread widening pressure from the CCC segment. The clear bifurcation story between weaker quality CCC and upper rating cohorts continues. From a valuation standpoint excluding the CCC from the HY indices shows how the compression of BB and B bonds spreads has probably gone too far. In particular, BB-rated bond's valuations look historically rich.

The COF had a positive month (+0.99%) and outperformed by 1.94% the broad Swiss Bond Index (SBI). In May rate effects (mainly from US rates) and spread effects were marginally positive. Carry dominated the picture with 0.68%. As a comparison the SBI had a carry of merely 0.14%. The Yield-to-worst of the fund was constant at 8.6% in local currency but higher at 6.2% on a Swiss Franc-hedged basis (due to slightly lower hedging costs). The average coupon was stable at 6.7%. The average price of the bonds increased to 96.3% (+1%), the OAS spread was wider at 496bp (+14bp) and the Modified Duration unchanged at 3.2.

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