Monthly factsheet as of 30.04.2024

# Credit Opportunities Fund (B)

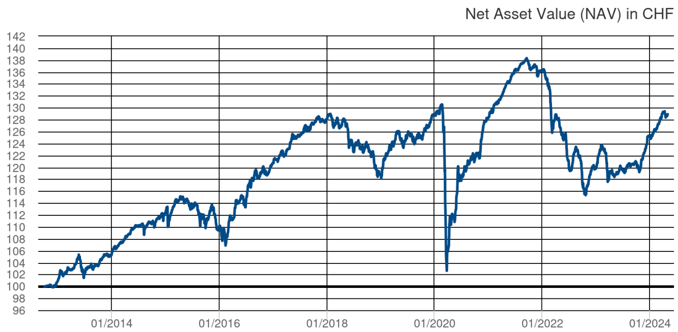
ZUGERBERG FINANZ

PMG INVESTMENT SOLUTIONS
Driven by Needs - Outstanding in Solutions

## 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 | -0.30% |
| 3 months | 2.06% |
| 2024 (YTD) | 2.98% |
| 1 year | 8.58% |
| 3 years (annualized) | -1.29% |
| Since Inception (annualized) | 2.23% |
| Since Inception | 28.91% |
| Lowest NAV | 99.85 |
| Highest NAV | 138.33 |
| Months with Positive Returns | 67% |
| Sharpe Ratio (last 3 years) | 0.04 |
| 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 | 35% |
| 1 - 3 years | 21% |
| 3 - 5 years | 26% |
| 5 - 7 years | 11% |
| > 7 years | 7% |

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.) | 426.95 |
| NAV Fund Class B (CHF Mio.) | 407.19 |
| NAV per Unit (CHF) | 128.91 |
| Modified Duration (Years) | 3.2 |
| Yield to Worst (%, local currency) | 8.6 |
| Yield to Worst (%, hedged CHF) | 6.0 |
| ø Credit Rating | BB+ |
| Cash Position (%) | 7.3 |
| No. of Sectors | 19 |
| No. of Issuers / Issues | 148 / 180 |
| Top 10 Positions (%) | 16.6 |

* Securities portfolio, including cash.

## Expenses

| | |
|---|---|
| Management Fee (% p.a.) | 0.50 |
| Total Expense Ratio (TER) as of 31.12.2023 (%) | 0.65 |

## Investment Amounts

| | |
|---|---|
| Minimal Initial Investment (CHF) | 1'000'000 |

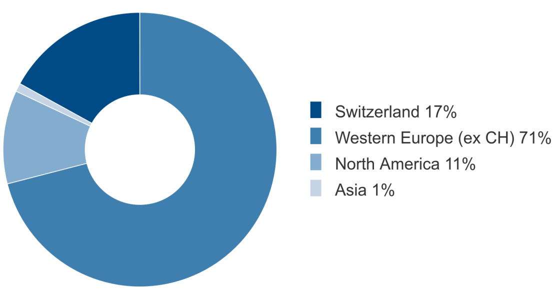
## Rating Breakdown

| | |
|---|---|
| >A | 11% |
| A | 2% |
| A- | 2% |
| BBB+ | 5% |
| BBB | 8% |
| BBB- | 9% |
| BB+ | 12% |
| BB | 8% |
| BB- | 11% |
| B+ | 7% |
| B | 18% |
| B- | 4% |
| <B- | 3% |

## Top 10 Industry Sectors

| | |
|---|---|
| Banking | 14% |
| Consumer Cyclical | 11% |
| Insurance | 11% |
| Other Industrial | 10% |
| Communications | 6% |
| Transportation | 6% |
| Capital Goods | 6% |
| Other Financial Services | 5% |
| Energy | 4% |
| Basic Industry | 3% |

## Geographic Diversification






## Monthly Commentary

In April signs that higher inflation in the US could prove less transient than hoped triggered a pullback and a moderate if brief bout of rates and spread volatility in credit markets. As an example, US CPI measures (based just on urban consumer surveys) surprised to the upside, whilst US PCE figures (relying on data from businesses on prices of goods and services for all residents) generally met consensus expectations. In a nutshell, a slew of robust economic data in the US underscored the persistent nature of inflation resulting in yet another repricing of Fed policy rate expectations that reverberated across markets as well as across the Atlantic. In particular, taking the options market on SOFR futures contracts (a good proxy for the Fed Funds rate), the probability of a US rate cut by June was completely priced out and that of at least one rate cut by December collapsed to just 40% from 70% at the begin of the month. Alternatively, the SOFR futures market was more sanguine expecting still one rate cut by December, but also in this case this was down from three cuts priced-in back in March.

At its meeting on May 1st (we incorporate this by purpose for April's commentary), the Fed signaled remote odds of a hiking cycle resumption jointly with toughness on inflation by keeping the Fed Funds rate at 5.5%. Importantly, the Fed also announced a rapid slowdown of their Quantitative Tightening (QT) program (reduction in the pace of shrinkage of the Fed balance sheet) starting as soon as June. Without going into details, this decision implies an additional demand for US Treasuries of USD 35bn a month compared to the situation since July 2022. In essence, tapering of QT flanked by a bias in favor of rate cuts at the first weakening signs from the labor market could move the needle on rates and help shift the US Treasuries yield curve down in the coming days and weeks. A subtle move that works like a mini-stimulus for banks, for the government, and for home buyers. On this side of the Atlantic, no remarkable changes in stance from the ECB still on track to deliver some rate relief in the second half of the year.

Surrounded by increased uncertainties (including the slim chances of rate hikes in the US as well as an escalation of the conflict in the Middle East), credit spreads were remarkably range-bound and continued to tolerate a later start to the easing cycle. Given the tightness of spreads for both HG and HY developed market segments, our baseline view is that of carry-driven returns for the remainder of the year. Within Euro HG corporate bonds yields increased to 3.81% (+0.19%) and OAS spreads contracted only by 2bp to 110bp. Similarly, for US HG bonds yields climbed to 5.73% (+0.43%) and OAS spreads tightened merely by 3bp to 87bp. Total returns for Euro HG were in the red, for US HG even more so. Due to the marginal spread compression, excess returns for both Euro HG and US HG were positive with BBB outperforming higher rating buckets both in absolute and relative terms. In HY space, Euro HY corporate yields increased to 6.63% (+0.34%) with OAS spreads widening by just 1bp to 355bp. Conversely, for the US HY peers yields surged to 8.11% (+0.45%) but OAS spreads were unchanged at 294bp. Total returns for Euro HY were only slightly negative, for US HY clearly negative. Excess returns were positive for both segments with BB bonds leading the pack but CCC lagging behind.

The COF had a negative month (-0.30%) and underperformed by 0.07% the broad Swiss Bond Index (SBI). In April negative effects from higher benchmark rates dominated the picture. Positive spread effects and a carry of 0.70% could not compensate the drag from rates. As a comparison the SBI had a carry of merely 0.14%. The Yield-to-worst of the fund was higher at 8.6% (+0.1%) in local currency but unchanged at 6.0% on a Swiss Franc-hedged basis. The average coupon was stable at 6.7%. The average price of the bonds decreased to 95.3% (-0.6%), the OAS spread was tighter at 482bp (-14bp) and the Modified Duration unchanged at 3.2.

## Investment Manager

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## Addresses

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