Monthly factsheet as of 31.05.2024

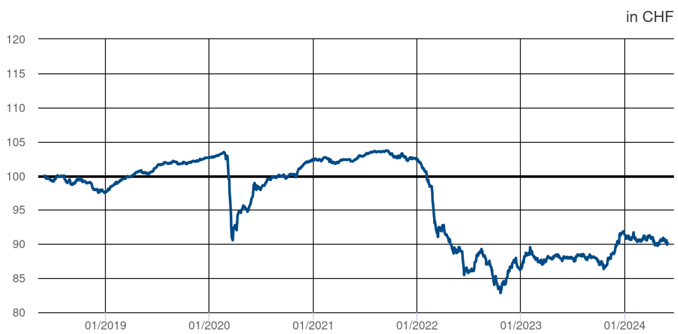
Zugerberg Funds - ZF Income Fund B

Investment Objective

The investment objective of the ZF - Income Fund is to achieve long-term capital and value growth in the reference currency, the Swiss franc, through investments in the credit market.

The fund aims to filter out investment opportunities on the global credit markets. It concentrates on a large variety of bonds from solid companies with an average investment grade rating. Corporate bonds can generate stable returns over the business cycle as a whole. In good times, additional credit risk premiums can be earned over government bonds. In addition, the typical interest rate sensitivity is significantly lower thanks to the lower average maturity. In bad times, companies reduce their debt much faster, while governments are often forced to borrow more to support the economy.

Total Return



1 month	0.25%
3 months	-0.38%
2024 (YTD)	-1.55%
1 year	2.25%
3 years (annualized)	-4.16%
Since Inception (annualized)	-1.71%
Since Inception	-9.86%
Lowest NAV	81.00
Highest NAV	103.22
Months with Positive Returns	52%
Sharpe Ratio (last 3 years)	-0.51
Max. Drawdown (last 3 years)	-20.13%
Max. Drawdown Length (days for last 3 years)	288
Max. Drawdown Recovery (days for last 3 years)	-

Modified Duration

< 1 year	6%
1 - 3 years	16%
3 - 5 years	27%
5 - 7 years	29%
> 7 years	22%

Fund Facts

Fund Name	Zugerberg Funds - ZF Income Fund - B
Valor	41512238
ISIN	CH0415122388
Bloomberg	ZFZIFBC SW
Fund Domicile	Switzerland
Fund Class	B
Currency	CHF
Cut-Off Time	Daily, until 5pm (CET)
Settlement	T+2
Launch Date	May 31st, 2018
Fiscal Year End	December 31st
Distribution Policy	Accumulation
Legal Registration	Switzerland

Fund Information*

NAV Total (CHF Mio.)	611.90
NAV Fund Class B (CHF Mio.)	605.38
NAV per Unit (CHF)	86.54
Modified Duration (Years)	5.3
Yield to Worst (%, local currency)	4.3
Yield to Worst (%, hedged CHF)	2.0
ø Credit Rating	A-
Cash Position (%)	4.7
No. of Sectors	19
No. of Issuers / Issues	195 / 300
Top 10 Positions (%)	7.7

* 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

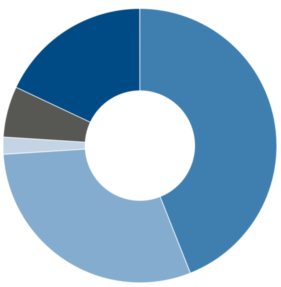
Rating Breakdown

AAA	12%
AA+	3%
AA	4%
AA-	5%
A+	8%
A	10%
A-	13%
BBB+	16%
BBB	15%
BBB-	11%
BB+	2%
BB	1%
<BB	0%

Top 10 Industry Sectors

Banking	14%
Consumer Non-Cyclical	12%
Consumer Cyclical	8%
Insurance	7%
Other Financial Services	7%
Basic Industry	7%
Technology	6%
Capital Goods	6%
Communications	4%
Electric	4%

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 ZIF had a positive month (+0.25%) and outperformed by 1.21% the broad Swiss Bond Index (SBI). In May rate effects (positive from US rates, negative from Euro and Swiss rates) and spread effects were marginally positive. Carry dominated the picture with 0.41%. As a comparison the SBI had a carry of merely 0.14%. The Yield-to-worst of the fund was slightly lower at 4.3% (-0.1%) in local currency but higher at 2.0% (+0.1%) on a Swiss Franc-hedged basis (due to slightly lower hedging costs). The average coupon was higher at 3.2% (+0.1%). The average price of the bonds increased to 94.5% (+0.5%), the OAS spread was tighter at 107bp (-3bp) and the Modified Duration higher at 5.3 (+0.1).

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