

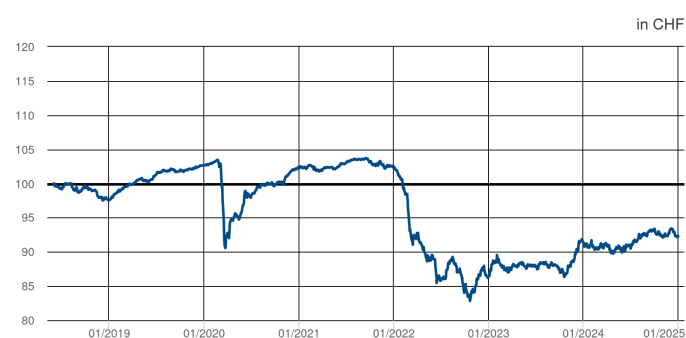
Zugerberg Funds - ZF Income Fund B

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	-1.02%
3 months	-0.96%
2024 (YTD)	0.76%
1 year	0.76%
3 years (annualized)	-3.44%
Since Inception (annualized)	-1.22%
Since Inception	-7.75%
Lowest NAV	81.00
Highest NAV	103.22
Months with Positive Returns	54%
Sharpe Ratio (last 3 years)	-0.32
Max. Drawdown (last 3 years)	-19.19%
Max. Drawdown Length (days for last 3 years)	210
Max. Drawdown Recovery (days for last 3 years)	-

Modified Duration

< 1 year	7%
1 - 3 years	13%
3 - 5 years	32%
5 - 7 years	27%
> 7 years	21%

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.)	662.14
NAV Fund Class B (CHF Mio.)	655.00
NAV per Unit (CHF)	88.57
Modified Duration (Years)	5.3
Yield to Worst (% local currency)	3.7
Yield to Worst (% hedged CHF)	1.3
∅ Credit Rating	A
Cash Position (%)	2.7
No. of Sectors	19
No. of Issuers / Issues	206 / 315
Top 10 Positions (%)	6.7

* Securities portfolio, including cash.

Expenses

Management Fee (% p.a.)	0.50
Total Expense Ratio (TER) as of 30.06.2024 (%)	0.66

Investment Amounts

Minimal Initial Investment (CHF)	1'000'000
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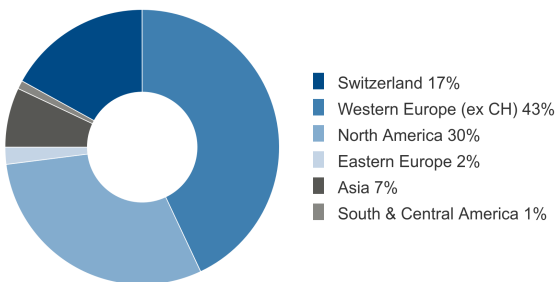
Rating Breakdown

AAA	■	8%
AA+	■	3%
AA	■	5%
AA-	■	5%
A+	■	9%
A	■	12%
A-	■	14%
BBB+	■	19%
BBB	■	15%
BBB-	■	8%
BB+	■	1%
BB	■	1%
<BB		0%

Top 10 Industry Sectors

Banking	■	13%
Consumer Non-Cyclical	■	13%
Technology	■	8%
Consumer Cyclical	■	7%
Basic Industry	■	6%
Insurance	■	6%
Capital Goods	■	6%
Other Financial Services	■	6%
Communications	■	5%
Electric	■	4%

Geographic Diversification



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Monthly Commentary

On its December meeting the Fed ended phase one of the US easing cycle by delivering a hawkish surprise: a rate cut coupled with a median projection of just two cuts in 2025 (less than the three cuts expected by consensus). Still, the bar is high for a hawkish shift which would be the case when greater weight is attached to upside surprises in inflation rather than downside risks to growth. On the positive side, there is still a pathway for the Fed to continue to lower rates although at a more moderate pace than it has been. On the negative side, the uncertainty posed by US tariffs could weigh on growth and put a constraint on the ability of the Fed to deliver more cuts, ultimately pushing the growth, inflation, and policy mix into a much less friendly direction for spread products and risk assets in general.

The baseline for 2025 is still for carry-driven returns but the range of outcomes is becoming wider at a time when risk premia and spreads are at historically tight levels. Going to corporate bonds, recent rates cuts by Fed and ECB have pushed HG corporate bonds back to a positive carry product when compared to cash as an alternative opening the door for a slow-down in money market fund flows. Furthermore, coupon payments are still a strong technical force for corporate bond markets having for instance covered almost 50% of the US HG and over 90% of the US HY net supply. In the Euro HG market the share is lower at around 20% but poised to increase in 2025 to the highest since 2015. In the Euro HY market negative net supply is still the rule and poised to continue. The important wildcard is that, for the first time, tech is coming to Washington - and its worldview is strikingly at odds with the MAGA movement. The ways in which these tensions are resolved, and who gains the upper hand, will profoundly affect America's economy and its financial markets over the next four years. Tech's arrival in Washington is high-risk. It could also - conceivably - be high-reward.

Going to corporate credit, Euro HG bonds yields increased to 3.15% (+0.12%) even though credit spreads continued their compression to 102bp (-6bp), still below the 25-year monthly median of 114bp. The yield for the US HG corporate bonds segment increased markedly to 5.33% (+0.28%) with historically tight spreads widening minimally to 80bp (+2bp) by month's end. This compares to a 25-year monthly median at 131bp. Total returns were negative for Euro HG and strongly negative for US HG. Excess returns vs. duration-matched sovereign benchmarks were positive for Euro HG but nil for US HG. In the HY space, Euro HY corporate yields decreased to 5.37% (-0.11%) with spreads noticeably tighter at 309bp (-22bp). This compares to a 25-year monthly median at 422bp. Yields for their US HY peers increased strongly to 7.49% (+0.35%) driven by wider spreads at 287bp (+21bp). Despite the widening spreads score very tight compared to the 25-year monthly median at 455bp. Total returns were very positive for Euro HY but negative for US HY. Excess returns were positive for Euro HY on the index level and across all rating segments (although spreads for CCC-rated bonds moved wider). Conversely, excess returns for US HY were negative on an index level and for BB and B ratings whilst CCC excess returns were positive due to the superior carry. To mention is also that corporate hybrids and financial AT1 and RT1 bonds experienced a strong spread tightening in December (the more the lower the rating bucket).

The ZIF had a negative month (-1.02%) and underperformed by 0.65% the broad Swiss Bond Index (SBI). December's performance was driven by a carry of 0.27% (in local currency), negative effects from higher rates, steeper yield curves (mostly from US and German sovereign benchmarks) and currency hedging costs. The Yield-to-worst of the fund was higher at 3.7% (+0.2%) in local currency but stable at 1.3% on a Swiss Franc-hedged basis. The average coupon was constant at 3.2%. The average price of the bonds decreased to 97.8% (-1.0%), the OAS spread was almost unchanged at 93bp (-1bp) and the Modified Duration slightly higher at 5.3 (+0.1).

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