

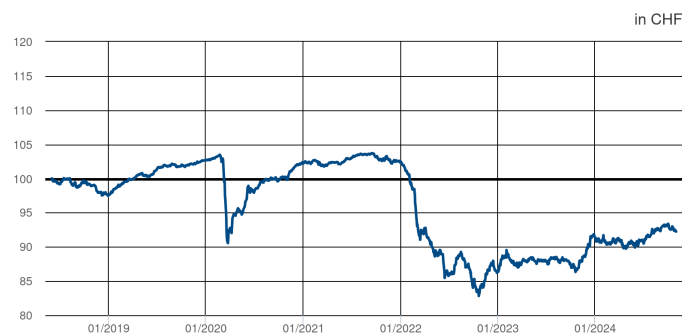
Zugerberg Funds - ZF Income Fund B

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	-0.98%
3 months	0.12%
2024 (YTD)	0.74%
1 year	6.01%
3 years (annualized)	-3.52%
Since Inception (annualized)	-1.25%
Since Inception	-7.77%
Lowest NAV	81.00
Highest NAV	103.22
Months with Positive Returns	54%
Sharpe Ratio (last 3 years)	-0.39
Max. Drawdown (last 3 years)	-19.80%
Max. Drawdown Length (days for last 3 years)	248
Max. Drawdown Recovery (days for last 3 years)	-

Modified Duration

< 1 year	9%
1 - 3 years	14%
3 - 5 years	29%
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.)	655.34
NAV Fund Class B (CHF Mio.)	648.06
NAV per Unit (CHF)	88.55
Modified Duration (Years)	5.2
Yield to Worst (% local currency)	3.7
Yield to Worst (% hedged CHF)	1.6
Ø Credit Rating	A
Cash Position (%)	3.8
No. of Sectors	19
No. of Issuers / Issues	205 / 317
Top 10 Positions (%)	6.9

* 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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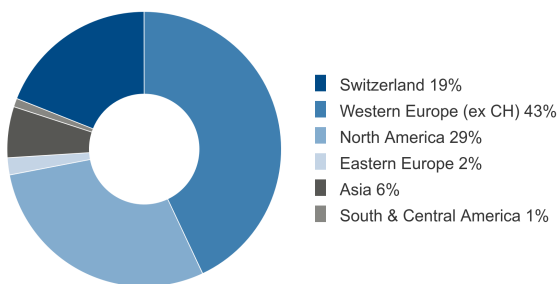
Rating Breakdown

AAA	12%
AA+	2%
AA	5%
AA-	5%
A+	8%
A	13%
A-	14%
BBB+	16%
BBB	14%
BBB-	9%
BB+	1%
BB	1%
<BB	0%

Top 10 Industry Sectors

Banking	14%
Consumer Non-Cyclical	13%
Other Financial Services	7%
Consumer Cyclical	7%
Basic Industry	7%
Insurance	6%
Capital Goods	6%
Technology	6%
Communications	5%
Electric	4%

Geographic Diversification



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Monthly Commentary

The rapid approach of the US election with odds progressively favoring Trump (meanwhile president-elect Trump) has seen US yields struggle to find stability and drifting higher despite a softer (buy noisy) October jobs report. A stretch of largely positive data surprises and a message call from bond vigilantes coincided with a broader move higher in yields. By lifting interest rates, financial markets are indicating they will impose a penalty on policies they regard as likely to ignite inflation and swell national debt. Net interest payments are now equivalent to 3% of the US GDP, the highest ratio since 1996, and US 10-year breakevens (a market-proxy for inflation expectations) surged to 2.32%, the highest level since June. At the time of writing a so-called red sweep scenario (with Republicans taking both Senate and House majorities) is not unlikely, in which case US yields could experience a further leg higher. In the Eurozone underlying inflation and GDP figures surprised to the upside but in particular for inflation this looks more like a one-off (as for the positive contribution of Olympics in France not likely to be repeated). Risks around both growth and inflation are still tilted to the downside, sustaining the potential for a forceful ECB response - especially should trade risks intensify and weigh on the European growth outlook.

In corporate credit markets spreads are uncomfortably tight. Historically such tight spreads levels bode poorly for forward excess returns (vs. sovereign benchmarks) since at some point they will mean revert (implying lower total returns). HG spreads (especially in the US) and HY spreads are visibly inside their historical medians and valuations look increasingly stretched. In the past, there have been several situations where for instance US HG spreads stayed below 100bp and US HY spreads below 350bp: short lived ones (like 2017 and 2021) and longer ones (mid-1990s and 2004-07). The mid-1990s episode resembles the current situation and back then the Fed achieved a soft-landing after a 2-years long rate hiking period. As history has shown, with the current macro backdrop's above trend growth, juicy all-in yields and the Fed on the way to be more accommodative, spreads could remain in the current range for an extended period. Euro HG corporate bonds yields increased to 3.31% (+0.13%) despite credit spreads tightening by massive 13bp to 104bp. To put this in context, the 25-year monthly median lies at 114bp. The yield for the US HG corporate bonds segment increased whoppingly to 5.16% (+0.44%) whereas historically tight spreads had little room to compress (-5bp to 84bp by month-end). This compares to a 25-year monthly median at 131bp. Total returns were negative for Euro HG and deeply negative for US HG. Both HG segments showed positive excess returns vs. duration-matched sovereign benchmarks. In the HY space, Euro HY corporate yields decreased to 5.67% (-0.03%) with spreads noticeably tighter at 320bp (-25bp). This compares to a 25-year monthly median at 426bp. Yields for their US HY peers increased markedly to 7.33% (+0.34%) and spreads trended southwards to 282bp (-13bp). This compares to a 25-year monthly median at 432bp. Total returns for Euro HY were positive, for US HY negative. Excess returns were positive for both HY segments. Interestingly, in case of US HY all rating buckets evenly contributed to the excess return whilst for Euro HY the big BB-segment was clearly in the driver's seat.

The ZIF had a negative month (-0.98%) underperforming by 1.12% the broad Swiss Bond Index (SBI). October's performance was driven by tighter spreads and a carry of 0.26% (in local currency), positive effects which were more than offset by rising rates (mostly from US rates) and currency hedging costs. The Yield-to-worst of the fund was higher at 3.7% (+0.2%) in local currency. On a Swiss Franc-hedged basis the Yield-to-Worst was lower at 1.6% (-0.1%), given an increase in currency hedging costs. The average coupon was unchanged at 3.2%. The average price of the bonds decreased to 97.7% (-1.0%), the OAS spread was considerably tighter at 96bp (-11bp) and the Modified Duration steady at 5.2.

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