Monthly factsheet as of 30.11.2024

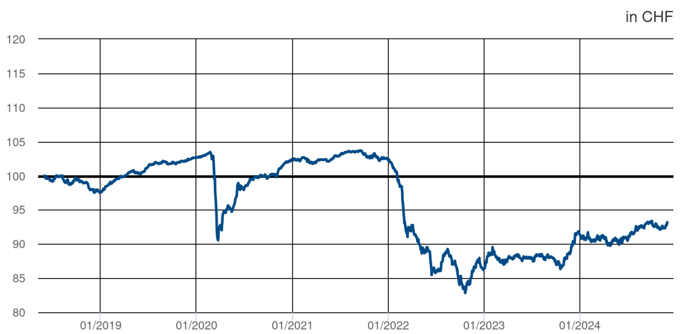
Zugerberg Funds - ZF Income Fund B

ZUGERBERG FINANZ

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	1.05%
3 months	0.89%
2024 (YTD)	1.80%
1 year	4.06%
3 years (annualized)	-3.02%
Since Inception (annualized)	-1.08%
Since Inception	-6.80%
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)	-19.34%
Max. Drawdown Length (days for last 3 years)	228
Max. Drawdown Recovery (days for last 3 years)	-

Modified Duration

< 1 year	9%
1 - 3 years	12%
3 - 5 years	31%
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.)	665.85
NAV Fund Class B (CHF Mio.)	658.57
NAV per Unit (CHF)	89.48
Modified Duration (Years)	5.2
Yield to Worst (%, local currency)	3.5
Yield to Worst (%, hedged CHF)	1.3
ø Credit Rating	A
Cash Position (%)	4.8
No. of Sectors	19
No. of Issuers / Issues	204 / 312
Top 10 Positions (%)	6.8

* 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

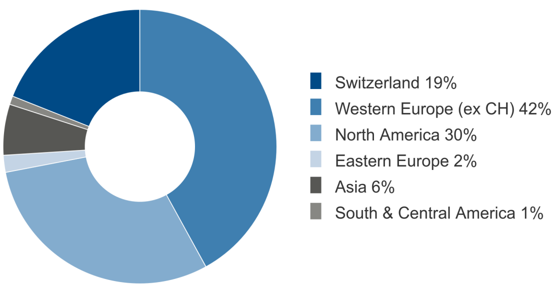
Rating Breakdown

AAA	14%
AA+	2%
AA	4%
AA-	5%
A+	8%
A	12%
A-	14%
BBB+	17%
BBB	15%
BBB-	7%
BB+	1%
BB	1%
<BB	0%

Top 10 Industry Sectors

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

Geographic Diversification



Monthly Commentary

Investor speculation regarding potential policies of the incoming US administration initially extended the move higher in US long-end yields given increased anxiety about the de-facto Republican trifecta. Worries about fiscal risks moderated following the news that Scott Bessent (a well-regarded hedge-fund manager which appears to care deeply about containing government debt) would be the pick for Treasury Secretary and 10-year US rates decreased by almost 30bp to 4.17% from the peak achieved mid-November and ended the month only modestly lower. In spite of US rates markets short-term flirt with this nomination, US deficits could remain sticky at elevated levels for a while. In the Eurozone, benchmark Bund yields dipped considerably given weaker than anticipated PMI data, mounting geopolitical tensions, concerns about US tariffs and an impending no-confidence vote in French parliament. The ECB seems reluctant to look past the gradual inflation progress and instead focus on growth risks, a combination likely to be unsustainable. After a broad-based start of the global easing cycle, greater diversity in inflation outcomes in 2025 could result in less synchronized central bank rate action. In the Eurozone substantial easing is in the cards (markets expected over 6 cuts by end 2025) whilst in the US the Fed is poised for limited action (around 3 cuts by end 2025).

Going to corporate credit, in the US market exuberance drove a risk-on rally. To the opposite, in the Eurozone some decompression was apparent given a weaker growth backdrop and outlook. Euro HG corporate bonds yields decreased to 3.03% (-0.28%) but credit spreads widened to 108bp (+4bp), still below the 25-year monthly median of 114bp. The yield for the US HG corporate bonds segment receded to 5.05% (-0.11%) whereas historically tight spreads compressed further to 78bp (-6bp) by month's end. This compares to a 25-year monthly median at 131bp. Total returns were strongly positive for both Euro HG and US HG whilst excess returns vs. duration-matched sovereign benchmarks were positive for US HG but nil for Euro HG. In the HY space, Euro HY corporate yields decreased to 5.48% (-0.19%) but spreads were noticeably wider at 342bp (+28bp). This compares to a 25-year monthly median at 426bp. Yields for their US HY peers also decreased to 7.14% (-0.19%) with spreads tighter to 263bp (-18bp) and entirely responsible for the move lower in yields. This compares to a 25-year monthly median at 432bp. Total returns for both Euro HY and US HY were positive. Excess returns were positive for US HY on the index level and across all rating segments. Conversely, excess returns for Euro HY were negative on an index level with decompression across all the rating segments. Looking forward, corporate bond investors will likely start 2025 with the most severe valuation constraints in decades. But ultimately, a combination of deteriorating fundamentals and weakening technicals is needed to catalyze a valuation reset. Neither is our baseline. The solid buffer provided by government bond yields (despite the tightness of spreads) and the negative correlation between rates and spreads will likely keep the value proposition of corporate bonds compelling: in the US given robust growth expectations, in the Eurozone assuming a more front-loaded easing cycle.

The ZIF had a positive month (+1.05%) nonetheless underperformed by 0.45% the broad Swiss Bond Index (SBI). November's performance was driven by a carry of 0.27% (in local currency), positive effects from lower rates (mostly from German sovereign benchmarks and Swissies, to a smaller extent from US Treasuries) which were offset by currency hedging costs. The Yield-to-worst of the fund was lower at 3.5% (-0.2%) in local currency and even lower at 1.3% (-0.3%) on a Swiss Franc-hedged basis. The average coupon was unchanged at 3.2%. The average price of the bonds increased to 98.8% (+1.1%), the OAS spread was slightly tighter at 94bp (-2bp) and the Modified Duration steady at 5.2.

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