

Cape Fixed Income Fund



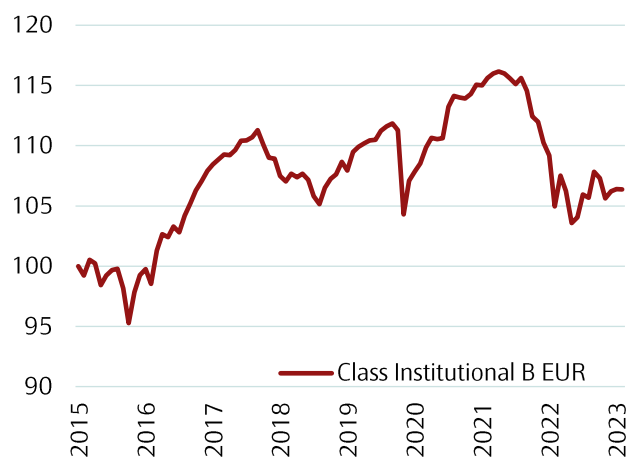
Institutional B EUR - Cape Capital SICAV-UCITS

FUND STRATEGY

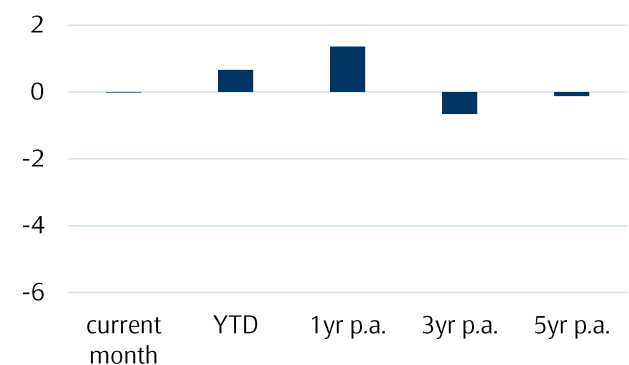
The Fund has a net target return of EURIBOR+250bps p.a. over a credit cycle and offers daily liquidity. The Fund invests in bonds and credit derivatives with a focus on investment grade companies. All FX exposure is fully hedged. ESG considerations are integrated into the investment process.

| | |
|---------------------------|-----------|
| Strategic Credit Duration | 3-5 years |
| Strategic Rate Duration | 1-2 years |
| Underlying Issuer Ratings | 100% IG |
| Capital Structure Risks | 50 - 100% |

PERFORMANCE (NAV)¹



PERFORMANCE (%)



| Current month | 2023 YTD | 2022 | 2021 | 2020 | Since inception |
|---------------|----------|-------|------|------|-----------------|
| -0.02 | 0.66 | -8.61 | 1.32 | 2.26 | 6.38 |

FUND INFORMATION

| | |
|-----------------------------|----------------------------------|
| Date: | 30 June 2023 |
| Current AUM | EUR 511 MM |
| Fund Type | SICAV-UCITS |
| ISIN | LU1200252796 |
| Bloomberg | CSCFEUI LX Equity |
| Fund Inception ⁵ | 01 June 2015 |
| Minimum Investment | EUR 5,000 |
| Available Currency | EUR / CHF / USD / GBP |
| Redemption | Daily by 3pm C.E.T |
| Management Fee | 0.50 % p.a. |
| Share Class | Institutional B EUR Accumulating |
| Fund Domicile | Luxembourg |
| Mgmt Company | MultiConcept Fund Management |
| Central Admin. | Credit Suisse Fund Services |
| Auditor | PwC (Luxembourg) |
| Legal Advisor | Arendt & Medernach |
| Depository Bank | Credit Suisse (Luxembourg) S.A. |

FUND STATISTICS

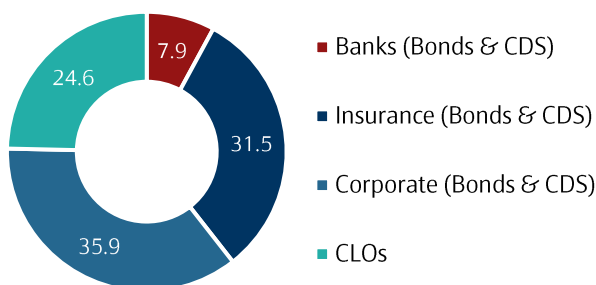
| | |
|--|-----------|
| Modified Duration (years) | 2.60 |
| Credit Duration (years) | 3.30 |
| Max Drawdown (% , since inception) | -10.82 |
| Return (% , annualized since inception) | 0.77 |
| Spread to EURIBOR 3M (bp) | 330 |
| Volatility (% , annualized) ² | 4.52 |
| Sharpe ratio | 0.18 |
| Risk free rate ³ | -0.04 |
| Senior /subordinated securities split ⁴ | 33% / 67% |

1. Share class Institutional B EUR, monthly NAV performance net of fees since fund inception 01 June 2015, May 2015 indexed to 100.
2. Annualized standard deviation using monthly return since inception.
3. Risk free return is calculated as the annualized return of EURIBOR 3 month since the inception of the Fund.
4. The weight split between senior and subordinated securities within the portfolio, weight is calculated based on nominal exposure.
5. Fund inception in June 2015 as Cape Capital SICAV-SIF. Converted to Cape Capital SICAV-UCITS in July 2017.

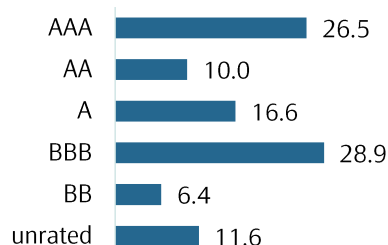
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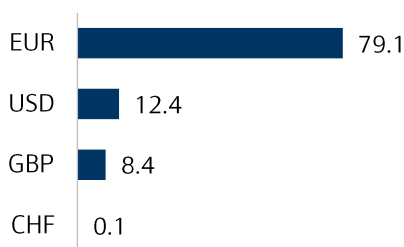
RISK ALLOCATION (%)



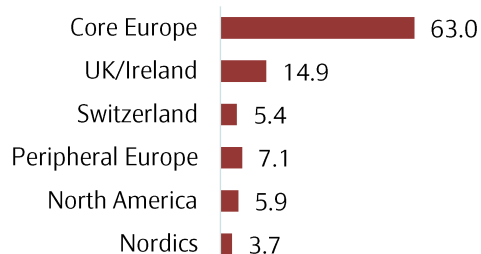
RATING DISTRIBUTION (% , BONDS AND CDS)



SECURITY DENOMINATION (% , BONDS AND CDS)



GEOGRAPHIC ALLOCATION (% , BONDS AND CDS)



All allocation is calculated based on notional exposure.

FX exposure refers to the currency denomination of the security before hedging. All FX exposure is fully hedged in the portfolio.

Rating distribution, FX exposure and Geographic allocation are calculated excluding cash equivalents.

Rating refers to security not issuer rating, rating is based on data from S&P, Moody's and Fitch.

SHARE CLASS INFORMATION

| Share class | Bloomberg | ISIN | Inception | Fee p.a. (%) | Current NAV |
|-------------------|-------------------|--------------|------------|--------------|-------------|
| Inst. B EUR Acc. | CSCFEUI LX Equity | LU1200252796 | 09/06/2015 | 0.50 | 106.38 |
| Inst. B CHF Acc. | CSCFCHI LX Equity | LU1200252952 | 08/06/2015 | 0.50 | 101.77 |
| Inst. B USD Acc. | CSCFUSI LX Equity | LU1200253257 | 05/01/2016 | 0.50 | 122.74 |
| Inst. B GBP Acc. | CSCFIBG LX Equity | LU1200253414 | 27/09/2017 | 0.50 | 103.30 |
| Inst. B CHF Dist. | CSCFIBC LX Equity | LU1860542452 | 23/11/2018 | 0.50 | 93.08 |
| Retail A CHF Acc. | CSCFRAC LX Equity | LU1635380592 | 22/09/2017 | 0.80 | 92.73 |
| Retail A EUR Acc. | CSCFRAE LX Equity | LU1635380246 | 22/09/2017 | 0.80 | 95.18 |

SHARE CLASS PERFORMANCE

| in % | current month | 2023 YTD | 1 yr p.a. | 3 yr p.a. | 5 yr p.a. | since incep. | 2022 | 2021 | 2020 |
|-------------------|---------------|----------|-----------|-----------|-----------|--------------|-------|-------|------|
| Inst. B EUR Acc. | -0.02 | 0.66 | 1.36 | -0.66 | -0.12 | 6.38 | -8.61 | 1.32 | 2.26 |
| Inst. B CHF Acc. | -0.19 | -0.23 | 0.24 | -1.16 | -0.57 | 1.77 | -8.89 | 1.10 | 2.02 |
| Inst. B USD Acc. | 0.22 | 1.76 | 4.10 | 0.87 | 1.89 | 22.74 | -6.58 | 2.14 | 3.79 |
| Inst. B GBP Acc. | 0.08 | 1.32 | 3.07 | 0.44 | 0.99 | 3.30 | -7.11 | 2.05 | 2.93 |
| Inst. B CHF Dist. | -0.17 | -0.21 | 5.64 | -1.16 | NA | -6.92 | 1.10 | -4.06 | 6.71 |
| Retail A CHF Acc. | -0.22 | -0.40 | -0.10 | -1.50 | -0.91 | -7.27 | -9.18 | 0.76 | 1.64 |
| Retail A EUR Acc. | -0.04 | 0.49 | 1.02 | -0.99 | -0.46 | -4.82 | -8.90 | 0.98 | 1.91 |

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MONTHLY COMMENT – JUNE 2023

Michael Lienhard: michael.lienhard@capecapital.com

Edina Rozinka: edina.rozinka@capecapital.com

Sarah Zhu: sarah.zhu@capecapital.com

Policy lag and demographics

- Low Vol regime and “everything delayed”-mentality helps the risk sentiment
- All-in yields in corporate bonds remain attractive, even in a scenario of “no cuts”
- Central bankers are worried about the monetary policy lag – (Very) hawkish comments in combination with a rate skip

Market Comment

In our view, the Low VIX, “OK” risky assets and range-bound interest rate levels (albeit with a strong flattening/inversion trend) do not adequately reflect the relatively important monetary and geopolitical events that occurred during June-23.

After markets have started to prepare for the traditional summer lull the recent Central Bank meetings made clear that policy makers are starting to worry about the “policy lag.” Some policy makers and many market participants had expected that the sharp interest rate hikes over the past 18 months would lead to more credit problems and a more effective slowdown of inflation (...paid for by a non-linear deceleration of growth).

However, Covid savings and loose fiscal policy have buffered the effects of the rising rates. Because there is (was?) a buffer it seems more difficult to determine the speed and intensity of the policy transmission. Hence, central bankers are starting to worry about the “lag” in both directions, i.e., 1.) that growth will slow down, with a lag, too fast and too strong, or 2.) that additional powerful factors (i.e. demographics) will further prolong the “lag” while growth will remain resilient.

Labour force shortage comes to forefront

Indeed, during the last ECB press conference it became apparent that new issues had moved to the forefront - wage growth and unit labour costs in the context of the overriding demographics challenge.. So far, net immigration is not compensating the shrinking labour force. Hence, additional questions (...not new ones...) around unit labour costs and competitiveness among European countries have risen to the policy-maker level.

This ultimately spills over into the narrative of wage-growth and consumer-strength-forever, and this makes Central Bankers fearful, since monetary policy cannot solve the issue of a “physically constrained” labour force pool. You simply can’t be

born today and transform into a 25-year old specialist overnight.

This is by no means a new challenge. During the labour force shortage of the 1960s, countries like Switzerland organised recruitment and information campaigns in Southern Europe and worked with local agents, TV/Radio stations, etc. to attract workers. Hence, it screens intuitive that bringing down inflation from 4% to 3% will be much more difficult than going from 8% to 4%, simply because fiscal policy would have to support the CBs in fighting inflation.

Regular readers recall that our longer-term view is and remains that: both restrictive monetary policy and restrictive fiscal policy are needed to bring down inflation to the old target. Hence, we can equate this to the question of whether politicians and parliamentarians are able or willing to cut fiscal support while food inflation is so high; the answer is no – hence, the only channel left is monetary policy, which increases funding costs. Since the accident risk is very apparent, CBs might have to stop hiking before fulfilling their price-stability mandate. Hence, we view 2.5-4% inflation in EU as a new normal.

Credit problems arriving slower than expected

The policy mix of fighting inflation in a “lukewarm” manner, in combination with an OK-ish consumer, can create a relatively benign environment for risky assets, as long as credit/default problems do not accelerate too fast (second half of 2023?).

The widespread bearish narrative has been built on the expectation that credit problems will accelerate fast, as a consequence of the tightening of the lending standards in the US (credit channel, fast transmission) and the rate hikes (rates channel, slow transmission). This bearish narrative is now confronted with a reality which is moving slower and has left some participants underinvested. It is observable that surveys/verbal expressions deviate significantly from price actions as global investors follow price actions rather than conviction, in a year which feels “bearish on macro” and “bullish on technicals”.

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Fixed income still offering decent value

The fixed income trajectory that people were expecting at the beginning of the year has not yet materialized - but there is rising conviction that slightly lower trending yields in combination with a stellar carry offers decent value, especially comparing with other asset classes.

The Cape Fixed Income Fund experienced a range-bound/low-vol in the month of June. We further increased our overweight in subordinated bonds issued by insurance companies, while we remain rather selective in banks. The primary market was quite active and we participated in a few new deals which offered some new issue premium.

Corporate Hybrids of Utilities and Telecom companies, i.e. the "defensive" sectors, still offer good carry within a resilient segment and we continue to believe that this is the space with the best risk/reward in a world with rising recession fears (rates

markets price in a 60% probability) in combination with an only gradually increasing default rate.

At the current level of 5-6% (EUR) these defensive Corporate Hybrids and subordinated bonds of insurance companies offer a decent return potential on a one-year horizon. Especially within the insurance sector we continue to see bondholder-friendly trends with companies optimising their debt profiles.

Rating upgrade/downgrade ratio remains positive among those financials and the coming stress-test season in Europe will help to gain further insights. We view defensive subordinated bonds as an attractive compromise for investors who don't want to run pure interest rate risk (i.e. Govt bonds, top-rated senior bonds) but still want to be exposed to quality companies at decent carry.

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