

# Cape Select Bond Fund



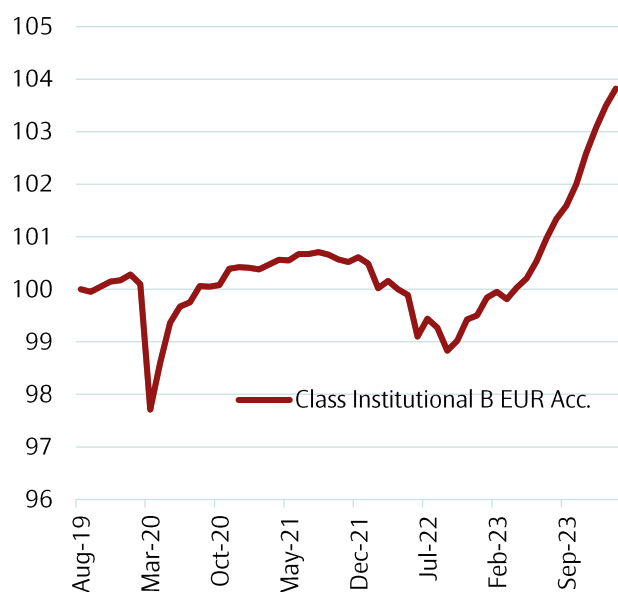
Cape Capital SICAV-UCITS

## FUND STRATEGY

The Cape Select Bond Fund is an enhanced short-term bond strategy and alternative to holding cash, seeking to deliver higher returns over traditional money market funds and other short-term credit investments.

The fund mainly invests in a mix of very short-term callable or bullet subordinated or senior bonds issued by high quality Investment Grade rated issuers. Any FX exposure is fully hedged.

## PERFORMANCE (NAV)<sup>1</sup>



Current month	YTD 2024	1 year p.a.	3 year p.a.	5 year p.a.	Since inception
0.31	0.72	3.87	1.13	NA	3.82

## FUND INFORMATION

Date	29 February 2024
Current AUM	EUR 115 MM
Fund Type	SICAV-UCITS
ISIN	LU1968842036
Bloomberg	CSBIBEA LX Equity
Fund Inception	02 September 2019
Minimum Investment	EUR 5,000
Available Currency	EUR / CHF / USD
Redemption	Daily by 3pm C.E.T
Management Fee	0.25% p.a.
Share Class	Institutional B EUR Accumulating
Fund Domicile	Luxembourg
Mgmt Company	MultiConcept Fund Management
Central Administration	Credit Suisse Fund Services
Auditor	PwC (Luxembourg)
Legal Advisor	Arendt & Medernach
Depository Bank	Credit Suisse (Luxembourg) S.A.

## FUND STATISTICS

Average Maturity (months)	4.04
Current Running Yield (% , EUR)	3.97
Return (% , annual. since inception)	0.84
Return Benchmark (% , annual. since incept.) <sup>3</sup>	0.77
Max Drawdown (% , since inception)	-2.56
Volatility (% , annualized) <sup>2</sup>	1.54
Sharpe ratio	0.05

Past performance is not a reliable indicator of future results.

Please See page 2 for detailed share class information.

1. Share class Institutional B EUR Acc., monthly NAV net of fees since fund inception 02 September 2019, indexed to 100.

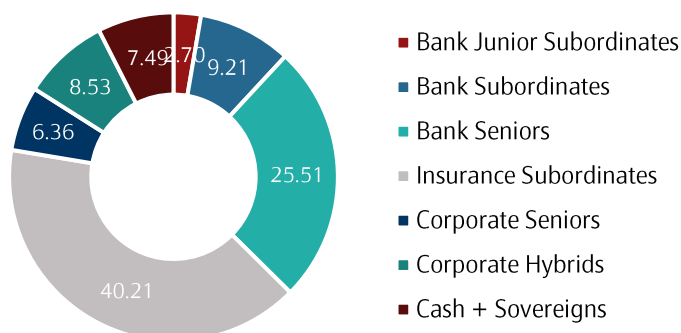
2. Annualized standard deviation using monthly return since inception.

3. Risk free / Benchmark is calculated as the annualized return of EURIBOR 3 month since the inception of the Fund.

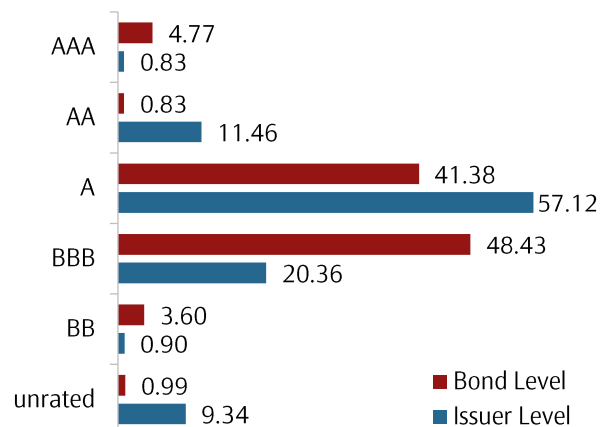
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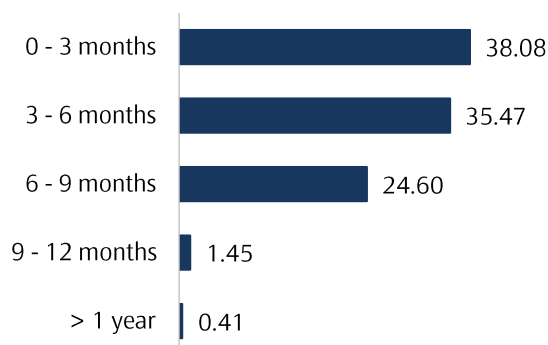
RISK ALLOCATION (%)



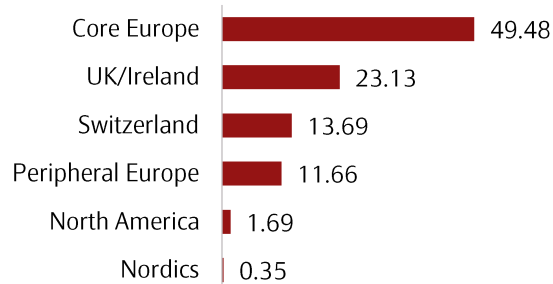
RATING DISTRIBUTION (%)



MATURITY SPLIT/EXPOSURE (%)



GEOGRAPHIC EXPOSURE (%)



All allocations are calculated based on notional exposures.

Issuer Level Ratings refer to senior unsecured issuer ratings, based on data from S&P, Moody's, and Fitch.

Maturity exposure is calculated using next call date for callable bonds, call date for called bonds and maturity date for bullet bonds.

The Total Expense Ratio (TER) presented in this document reflects final TER for the previous year.

## SHARE CLASS INFORMATION

Share class	Bloomberg	ISIN	Inception	Fee p.a. (%)	TER (bp)	Current NAV
Institutional B EUR Acc.	CSBIBEA LX Equity	LU1968842036	02/09/2019	0.25	48.4	103.82
Institutional B USD Acc.	CCSBIBD LX Equity	LU1968842119	07/10/2019	0.25	47.0	111.4
Institutional B CHF Acc.	CCSBIBC LX Equity	LU1968842200	27/12/2019	0.25	49.2	100.44
Institutional A EUR Acc.	CACSBIA LX Equity	LU1968841145	24/01/2020	0.20	41.7	103.74

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SHARE CLASS PERFORMANCE													
In %	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Institutional B EUR Acc.													
2019									-0.05	0.10	0.10	0.02	0.17
2020	0.11	-0.18	-2.39	0.91	0.77	0.31	0.08	0.31	-0.01	0.03	0.31	0.03	0.25
2021	0.01	-0.03	0.09	0.09	-0.01	0.12	0.00	0.04	-0.05	-0.09	-0.05	0.09	0.19
2022	-0.12	-0.47	0.14	-0.16	-0.11	-0.79	0.34	-0.17	-0.44	0.19	0.41	0.07	-1.10
2023	0.34	0.11	-0.14	0.22	0.18	0.33	0.43	0.37	0.25	0.40	0.58	0.48	3.60
2024	0.41	0.31											0.72
Institutional B USD Acc.													
2019										0.28	0.27	0.30	0.85
2020	0.29	-0.04	-2.10	1.05	0.84	0.38	0.19	0.37	0.05	0.08	0.39	0.15	1.63
2021	0.07	0.02	0.16	0.17	0.05	0.17	0.07	0.11	0.00	-0.05	-0.04	0.25	0.96
2022	-0.08	-0.44	0.27	-0.13	0.07	-0.70	0.57	0.08	-0.28	0.44	0.72	0.37	0.88
2023	0.57	0.29	0.08	0.34	0.30	0.57	0.61	0.48	0.39	0.57	0.75	0.63	5.73
2024	0.53	0.42											0.95
Institutional B CHF Acc.													
2019												-0.01	-0.01
2020	0.07	-0.21	-2.41	0.86	0.76	0.27	0.08	0.28	-0.03	0.01	0.29	0.01	-0.05
2021	-0.03	-0.06	0.08	0.07	0.00	0.10	-0.01	0.02	-0.07	-0.11	-0.06	0.09	0.02
2022	-0.14	-0.47	0.12	-0.18	-0.14	-0.79	0.39	-0.16	-0.47	0.17	0.34	-0.09	-1.43
2023	0.24	-0.1	-0.27	0.05	0.01	0.15	0.29	0.17	0.11	0.22	0.36	0.28	1.62
2024	0.18	0.13											0.31
Institutional A EUR Acc.													
2020	0.01	-0.18	-2.38	0.91	0.77	0.31	0.09	0.31	-0.01	0.03	0.32	0.04	0.19
2021	-0.01	-0.03	0.10	0.10	-0.02	0.13	0.00	0.05	-0.04	-0.10	-0.04	0.10	0.24
2022	-0.12	-0.47	0.14	-0.15	-0.10	-0.79	0.35	-0.17	-0.44	0.20	0.41	0.07	0.33
2023	0.35	0.11	-0.13	0.22	0.19	0.33	0.44	0.37	0.25	0.41	0.58	0.48	3.65
2024	0.41	0.31											0.73

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## MONTHLY COMMENT – FEBRUARY 2024

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## Growth Celebration Conundrum

- Rising yields had a moderately negative impact to the broader Investment Grade universe within developed countries. In turn, the higher yields have been well absorbed by risky assets as rate cut delays are “backed” by better growth.
- The better growth picture is a blessing and a curse, from a Central Bank perspective. A part of the higher growth transports the “problematic” elements as it is based on structural changes which are hard to fight from a policy making standpoint (i.e., demographics, which - short-term- are strengthening the labor market).
- US-EU growth gap is widening and the Atlantic Ocean may become bigger both from a macroeconomic and geopolitical standpoint.

### Markets

While risk markets started with solid momentum in 2024, noisy economic data from the US have made the outlook more difficult to assess. Rates and Investment Grade yields have risen steadily during the first two months in 2024 but this has been absorbed relatively well by risky assets as better growth perspectives have “backed” the increase in yields.

Unlike in September/October-2023, when the increase in yield was driven by (inflation-) risk premium, in 2024 the increase in yield has (so far) been driven by risk asset-friendly components (growth up, medium-term inflation expectations relatively anchored).

In the light of the relatively stable inflation expectations and better growth perspectives, risky assets managed to absorb the new rate cut path which is now priced more realistically. (In some of our earlier monthly letters we highlighted that we saw the rate cut expectations as too optimistic). The current rate cut expectations, in our view, better reflect the challenges of keeping core inflation close to target for a representative time horizon.

Three-to-four cuts also reflects the risk of a structurally too-(!)strong consumer (due to demographics, labour market, lack of political willingness to stimulate immigration, etc., as AI helps productivity and skilling up this “hard-to-integrate” workforce), and thus avoiding a potential banking crisis among second tier banks becomes the sole reason to cut rates.

Indeed, both headline and core CPI, which excludes volatile factors such as energy and food, have accelerated from the previous month, rising 0.3% and 0.4%, respectively. For the

trailing 12 months, core CPI rose 3.9% vs expectations for 3.7% in the US while the much-regarded core PCE (core Personal Consumption Expenditure), which is the Fed’s preferred inflation gauge, is still close to target and keeps fantasies of rate cuts alive.

Largely to blame for the nasty upside inflation surprise were the high owner-equivalent rents and health care services. However, January inflation prints can be particularly noisy due to potential seasonality, as annual price increases can take effect at the beginning of the year. Thus, January’s CPI numbers were an unpleasant surprise but not a game-changer on an isolated basis.

Nonetheless, these numbers support the Fed keeping rates higher for slightly longer and have put a nail in the coffin for the prospect of a March rate cut and thwarted some of the optimism about a May rate cut.

The European Central Bank (ECB) adopted a careful approach, recognizing the disinflationary trend but also closely monitoring inflation risks, notably in the service sector due to rising labour wages. The ECB’s decisions aim to balance the quick effects of monetary policy against these trends, with openness to a more supportive policy if disinflation persists. Eurozone CPI is expected to decrease to 2.5% year-over-year in February, still above the ECB’s 2% goal. Manufacturing PMIs in key Eurozone economies are anticipated to stay in the contraction zone, though Spain and Italy might see improvements.

The global economy remains complex, de-synchronized, and with significant regional differences. US exceptionalism is intersecting with a soul-searching European identity, grappling with stagnant growth and an increasingly uncertain security

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landscape, underscoring the widening gap between American and European headroom to defend interests within a tense geopolitical situation.

While this US-EU comparison is overly simplified and ignores some positive developments in Europe (ex-Germany) we are increasingly worried about productivity trends and unit labour cost trends in Europe. Stagflation does not exist any longer in base cases, but some “hard-to-treat” pain-points are moving precisely in this direction. Slowly and silently.

So, strong income, “OK” spending, a strong labour market, and still somewhat elevated core inflation – it’s hard to square all these takeaways from February’s personal income and outlays report. We think that a lot of one-off factors are at work and that the policymakers will discount the signal from them, but remain cautious. February’s print could experience similar issues; thus, it

won’t be until we have March data that we’ll have a better sense of whether disinflation has stalled.

## The Cape portfolio

Within the Cape Select Bond Fund, our strategic overweight position in the insurance sector continues to perform satisfactorily. Observations of primary market book sizes and the diminishing concessions on new issues indicate a robust appetite among investors, suggesting that significant cash reserves remain poised for deployment. As of this month, our portfolio strategy remains consistent, as we have not identified compelling reasons to warrant significant adjustments. Our steadfast approach is underpinned by the current market dynamics and our ongoing analysis, ensuring that our investment decisions are well-calibrated to navigate the evolving financial landscape.

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