

# Cape Fixed Income Fund



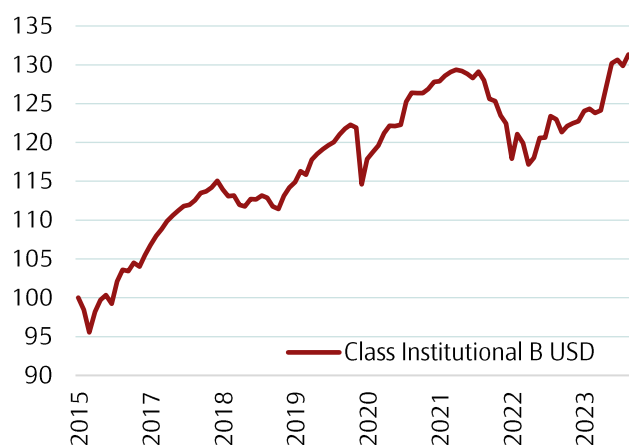
Institutional B USD - Cape Capital SICAV-UCITS

## FUND STRATEGY

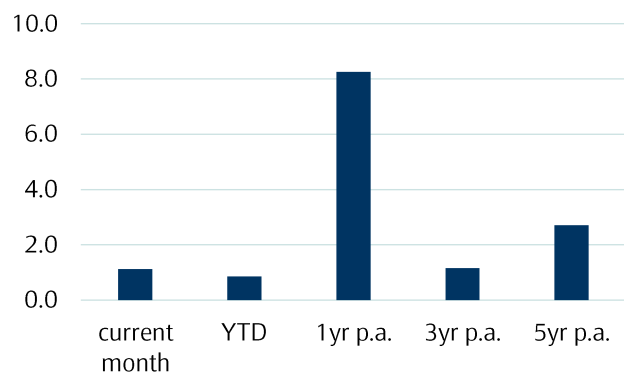
The Fund has a net target return of EURIBOR+250bps p.a. over a credit cycle and offers daily liquidity. The Fund invests in bonds and credit derivatives with a focus on investment grade companies. All FX exposure is fully hedged. ESG considerations are integrated into the investment process.

Strategic Credit Duration	Medium Term
Strategic Rate Duration	Short – Medium Term
Underlying Issuer Ratings	100% IG
Capital Structure Risks	50 - 100%

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



## PERFORMANCE (%)



Current month	2024 YTD	2023	2022	2021	Since inception
1.13	0.87	7.94	-6.58	2.14	31.33

## FUND INFORMATION

Date:	31 March 2024
Current AUM	EUR 438MM
Fund Type	SICAV-UCITS
ISIN	LU1200253257
Bloomberg	CSCFUSI LX Equity
Fund Inception <sup>5</sup>	01 June 2016
Minimum Investment	USD 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

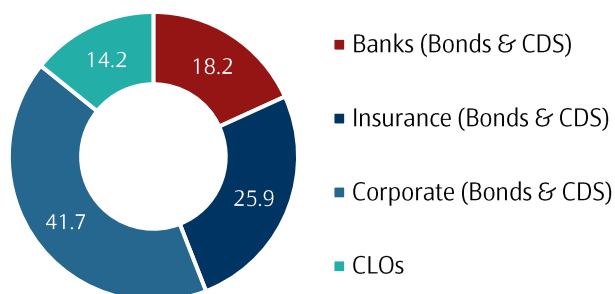
Interest Rate Duration (years)	3.60
Credit Duration (years)	4.00
Max Drawdown (% , since inception)	-9.41
Return (% , annualized since inception)	3.36
Spread to EURIBOR 3M (bp)	245
Volatility (% , annualized) <sup>2</sup>	4.55
Sharpe ratio	0.35
Risk free rate <sup>3</sup>	1.76
Senior /subordinated securities split <sup>4</sup>	56% / 44%

1. Share class Institutional B USD, monthly NAV performance net of fees since fund inception 05 January 2016, December 2015 indexed to 100.
2. Annualized standard deviation using monthly return since inception.
3. Risk free return is calculated as the annualized return of ICE LIBOR USD 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 January 2016 as Cape Capital SICAV-SIF. Converted to Cape Capital SICAV-UCITS in July 2017.

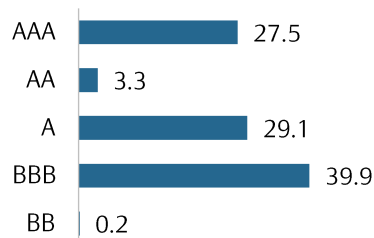
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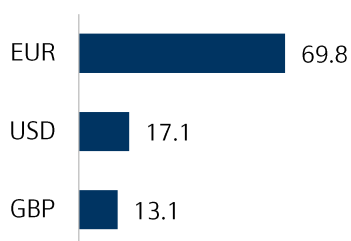
## RISK ALLOCATION (%)



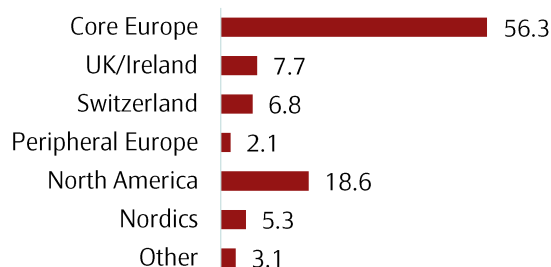
## RATING DISTRIBUTION (% OF BONDS AND CDS)



## SECURITY DENOMINATION (% OF BONDS AND CDS)



## GEOGRAPHIC ALLOCATION (% OF 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.

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
Inst. B EUR Acc.	CSCFEUI LX Equity	LU1200252796	09/06/2015	0.50	72.2	112.42
Inst. B CHF Acc.	CSCFCHI LX Equity	LU1200252952	08/06/2015	0.50	71.9	105.77
Inst. B USD Acc.	CSCFUSI LX Equity	LU1200253257	05/01/2016	0.50	72.0	131.33
Inst. B GBP Acc.	CSCFIBG LX Equity	LU1200253414	27/09/2017	0.50	72.0	110.44
Inst. B CHF Dist.	CSCFIBC LX Equity	LU1860542452	23/11/2018	0.50	71.0	94.21
Retail A CHF Acc.	CSCFRAC LX Equity	LU1635380592	22/09/2017	0.80	105.0	96.13
Retail A EUR Acc.	CSCFRAE LX Equity	LU1635380246	22/09/2017	0.80	105.0	100.33

## SHARE CLASS PERFORMANCE

in %	current month	2024 YTD	1 yr p.a.	3 yr p.a.	5 yr p.a.	since incep.	2023	2022	2021
Inst. B EUR Acc.	1.02	0.54	6.43	-0.55	0.88	12.42	5.81	-8.61	1.32
Inst. B CHF Acc.	0.85	-0.05	4.12	-1.55	0.15	5.77	3.75	-8.89	1.10
Inst. B USD Acc.	1.13	0.87	8.26	1.16	2.71	31.33	7.94	-6.58	2.14
Inst. B GBP Acc.	1.12	0.85	7.93	0.80	2.05	10.44	7.42	-7.11	2.05
Inst. B CHF Dist.	0.85	0.03	4.13	-1.54	0.15	1.94	3.74	-8.89	1.11
Retail A CHF Acc.	0.82	-0.12	3.77	-1.88	-0.19	-3.87	3.38	-9.18	0.76
Retail A EUR Acc.	1.01	0.45	6.07	-0.88	0.54	0.33	5.45	-8.90	0.98

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## MONTHLY COMMENT – MARCH 2024

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## Long live the Dual Mandate

- The Fed has upgraded its core PCE and growth expectations – Dots unchanged (three cuts). Was this the real pivot?
- Rising dispersion within the credit market shows that “higher for longer” could lead to noticeable damage even before the debt market approaches the maturity wall (2025 and beyond)
- The Cape Fixed Income Fund posted a positive month thanks to stable rates and tighter spreads

### Markets

Positive supply “shocks”, an ongoing easing of monetary conditions and a strong labour market (higher real incomes) have continued to support risky assets during March. Nominal interest rates traded range-bound, but we noticed a diverging curve dynamic in EU vs. the US (steepening in EU and flattening in US, in line with the diverging economic activity and inflation dynamics).

While it seems obvious that the market focus is heavily tilted towards the priced number of rate cuts, the related timing, as well as its magnitude, the market continues to be relatively complacent/relaxed when it comes to core inflation dynamics. The current market clearly expects a non-recessionary disinflation with ample of Central Bank help OR a stable growth environment without a reacceleration of inflation. The latter can be explained by a potential productivity boost due to AI and a faster re-skilling of available labour force than during past industrial revolutions, which helps the “good-growth-no-inflation-reacceleration”-narrative.

However, we reckon that this is more of a medium-term dynamic while demographics and the corresponding limited pool of skilled workers still overshadows the landscape - especially in Europe. Indeed, unit labour costs and productivity trends are worrying in Europe. However, the tight labour market as well as powerful unions continue to guarantee (unsustainable?) wage growth, keeping the consumer relatively strong and therefore the economy supported.

In tendency, we subscribe into the case of a solid economic environment, but we see a growing risk that central banks start to implicitly question the 2% inflation target. While questions around the 2% mark are not something new, we see the latest Powell speech at the press conference as a kind of a “pivot” when it comes to the Fed’s inflation target. The Fed has increased its core PCE forecast higher by 0.2% to 2.6% (...not really “2-ish”...) and materially upgraded its growth forecast. In

spite of these new projections the Fed’s median 2024 Dot has still showed 3 rate cuts.

Powell’s narrative and comments were surprisingly consistent with his 2023 year-end comments/projections despite the stronger inflation data YTD. We therefore expect a higher inflation risk premium within the interest rate curve which should ultimately lead to a steepening bias. The lower trending volatility for short-term interest rates (...because the variety of different outcomes seems shrinking, as they still seem to be committed to cuts) should continue to be a supportive factor behind the friendly environment for risky assets for the coming months.

However, the easing of financial and monetary conditions limits the scope for further rate cuts once these (two or three?) “maintenance cuts” have been done. These cuts can be called “maintenance cuts” since they purely describe the Fed’s reaction function rather than the macroeconomic reality, as the Fed is not de facto forced to cut (we see it differently in the case of the ECB...).

These cuts reflect the Fed’s dual mandate, but they come at the expense of rising longer-term Dots and a rising terminal rate within the interest rate cut cycle which is supposed to start in June 2024. The ECB, in contrast to the Fed, remains “economically hawkish” as the material progress in core inflation is overshadowed by weak economic activity. In our view, the ECB is radically focusing on a policy which is consistent with a “MONO-MANDATE”. We would not be surprised about a rising interest rate differential vs. the US even at these already elevated levels.

What could derail risky assets? In the light of the strong labour market, it is unlikely that (real) problems will be “imported” through the earnings angle. Hence, we think the bigger risk lies in the funding channel within “weaker links” (HY, Loans, Real Estate, etc.) and the potential spillover effects going forward. Dispersion has increased and some larger HY Index constituents are struggling (Altice, Ardagh, Intrum). There is a

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true risk that within a functioning economy, buoyed by fiscal support, default rates could rise even in the absence of economic troubles.

Problems within these (growing) segments are not primarily coming from operating performance issues but from capital structures that are struggling in the new higher rates environment (...where only a few "maintenance cuts" are being executed instead of a full cut cycle). There is a rising incentive towards a less creditor-friendly behaviour even within European companies.

A rising awareness of higher trending longer-term rates as well as a higher terminal rate within the coming cut cycle in combination with Central Banks being eventually less committed to the 2% inflation target would impact every entity with too much debt, which essentially reprices the risk premium for systemic risks (relevant for all asset classes, not only credit risk). Hence, the Cape Fixed Income Fund clearly focuses on strong and less-leveraged companies and staying invested in this segment comes at very low opportunity costs.

## The Cape portfolio

We definitely like EUR duration more than its USD and/or GBP counterpart(s) as the ECB may be forced to act more decisively

soon. Hence, we are tilted towards high-quality names in EUR (senior bonds), where we are willing to take a bit of duration risk, while we continue to like subordinated bonds issued by insurance companies to steer the overall credit beta through a "resilient" sector of high-quality names.

We don't think that it is time to generally increase credit risk, as the absolute spread-differentials between the different rating levels are rather small (i.e., rather compressed). Hence, an "up-in-quality"-reflex is cheap at this stage. However, the current all-in yield of EUR, USD, and GBP is still attractive and the high carry ensures that potential shocks could be absorbed relatively well.

Our Fund is slightly up YTD despite yields being clearly higher than at the end of 2023. We trust the elevated and still attractive "all-in-yield" of our Cape universe (Senior and Subordinated Bonds of Investment Grade Companies), which is roughly 4.5% average in EUR and 6.0% in USD. Cape's preferred duration continues to be the 3-4.5-year area which ensures decent upside in case of an exogenous shock (risk-off, rates down) while providing a good carry and risk/reward in a scenario which we would describe as "high but not higher".

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