Cape Select Bond Fund

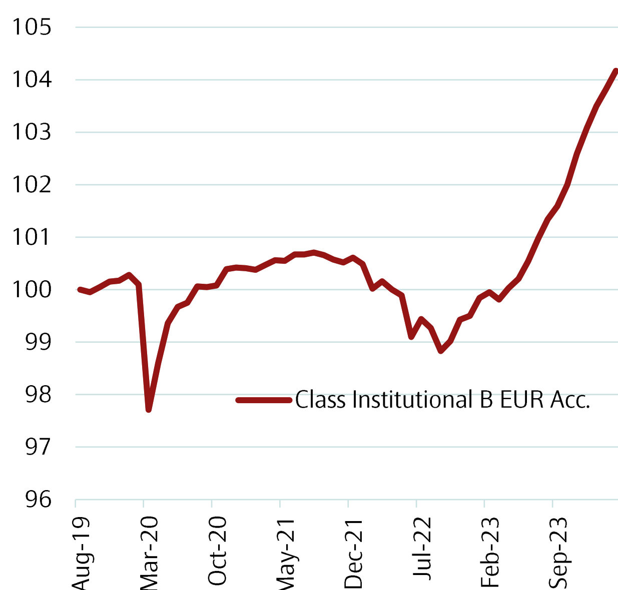
Cape Capital SICAV-UCITS

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)[1]



Current month	YTD 2024	1 year p.a.	3 year p.a.	5 year p.a.	Since inception
0.34	1.06	4.37	1.22	NA	4.17

FUND INFORMATION

Date	31 March 2024
Current AUM	EUR 115MM
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
Depositary Bank	Credit Suisse (Luxembourg) S.A.

FUND STATISTICS

Average Maturity (months)	4.70
Current Running Yield (%, EUR)	3.69
Return (%, annual. since inception)	0.90
Return Benchmark (%, annual. since incept.) [3]	0.83
Max Drawdown (%, since inception)	-2.56
Volatility (%, annualized) [2]	1.53
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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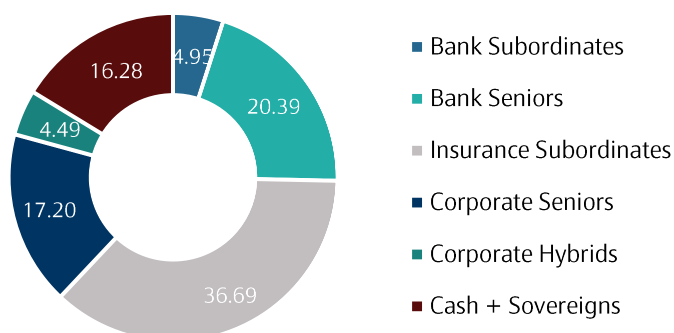
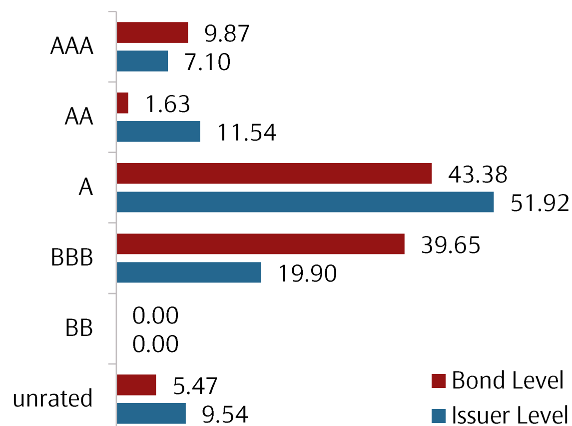
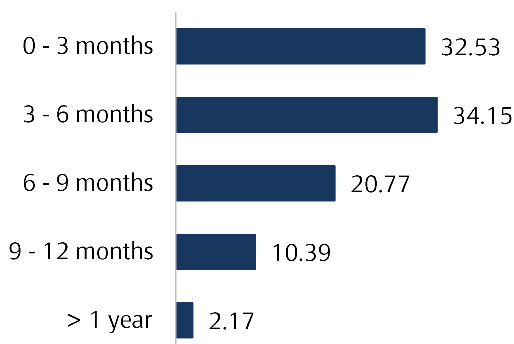
RISK ALLOCATION (%)



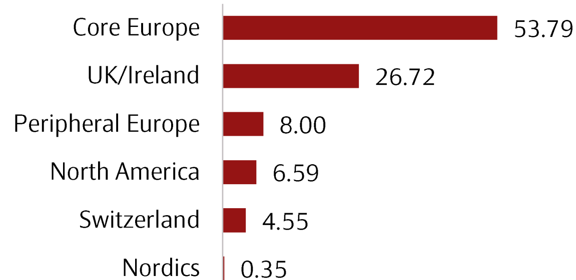
RATING DISTRIBUTION (%)



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 fxor 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	104.17
Institutional B USD Acc.	CCSBIBD LX Equity	LU1968842119	07/10/2019	0.25	47.0	111.90
Institutional B CHF Acc.	CCSBIBC LX Equity	LU1968842200	27/12/2019	0.25	49.2	100.59
Institutional A EUR Acc.	CACSBIA LX Equity	LU1968841145	24/01/2020	0.20	41.7	104.09

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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	0.34										1.06
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	0.45										1.40
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	0.15										0.46
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	4.09
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	0.32	0.34										1.07

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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 Select Bond Fund posted a positive month thanks to stable rates and a supportive money market conditions

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

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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 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 Select Bond Fund clearly focuses on strong and less-leveraged companies and staying invested in this segment comes at very low opportunity costs.

The Cape portfolio

The Cape Select Bond Fund continues to perform positively into 2024, with a focus on short maturity assets. The fund outperforms broader money market benchmarks while remaining a low risk profile.

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