H.A.M. Global Convertible Bond Fund

Review 1. Half Year 2024

Summary

- *Artificial Intelligence as Main Driver*: AI drove record highs and significantly influenced markets in the first half of 2024.
- *Political Uncertainties*: The U.S. presidential election and EU parliamentary elections caused market turbulence.
- *Trade Conflicts and Tariffs*: Both the U.S. and the EU intensified measures against China.
- *Central Bank Monetary Policies*: While the U.S. Federal Reserve kept interest rates unchanged, the European Central Bank and the Swiss National Bank implemented rate cuts. Conversely, Japan raised its reference rates from negative territory.
- *Narrow Market Breadth*: Selected technology stocks benefited greatly from the AI trend, but there were significant regional and sectoral disparities in the broader market.
- *Bond Markets and Interest Rates*: Concerns about inflation and continued solid economic indicators led to higher interest rates, while risk premiums remained low.
- *Focus on Specialized Companies*: The most successful tech companies did not have convertible bonds outstanding in 1H2024, which limited the impact of the AI trend on their performance.
- **Global Balanced Convertible Bonds** declined by **-0.18%** in the first half of 2024, while the underlying stocks fell by -2.40%. (Page 4)
- **H.A.M. Global Convertible Bond Fund** achieved a performance of **+1.44%** (EUR-A, net) due to consistent diversification and careful stock selection, with the associated stocks rising by +1.92. (Page 5)
- All share classes achieved value growth in 1H2024:

	No. of Units	Net Asset Value		Perf. net
		31.12.2023	26.06.2024	
EUR-A-	39‘300	2‘223.88	2‘255.99	+1.44%
CHF-A-	61‘367	1‘761.64	1‘771.39	+0.55%
USD-A-	14‘104	1‘772.84	1‘808.07	+1.99%
GBP-A-	2‘476	1‘199.94	1‘223.29	+1.95%
EUR-D-	113‘470	1‘222.60	1‘241.96	+1.58%
CHF-D-	204‘394	1‘171.68	1‘179.30	+0.65%
USD-D-	10‘613	1‘420.93	1‘451.80	+2.17%

- Net fund assets totaled EUR 636.3 million as of June 26, 2024.

Market Review

In the first half of 2024, global markets were shaped by a combination of (geo)political events and central bank monetary policies. Additionally, the theme of «Artificial Intelligence (AI)» was a major driver, almost single-handedly propelling key American stock indices to record highs.

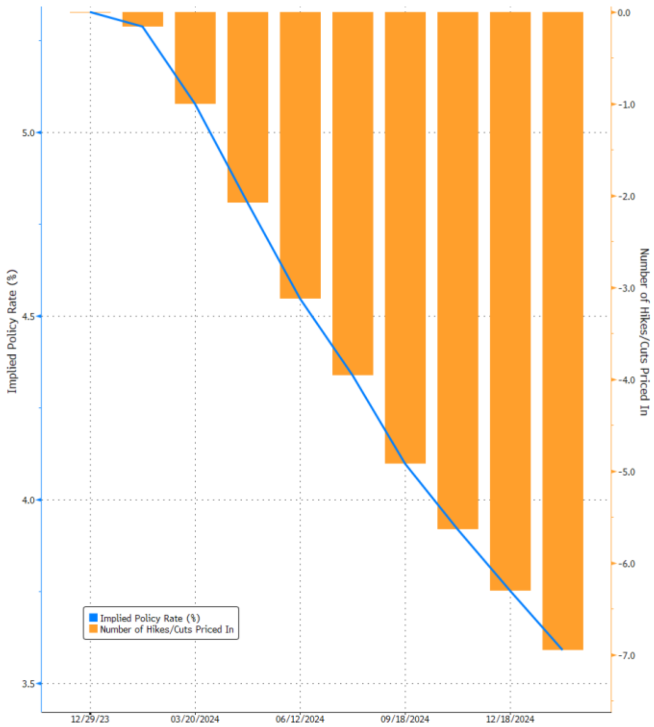
The upcoming U.S. presidential elections and the intensifying campaign have kept market participants on edge, weighing potential changes in economic and trade policies. Similarly, the EU parliamentary elections introduced uncertainty, especially regarding economic and migration policies and future integration within the EU. French President Macron's announcement of extraordinary snap elections in France caused significant unrest, leading to a mid-June plunge of over 6% in the French stock index.

Geopolitical unrest continued over the past six months, although conflicts such as the war in Ukraine and the Israel-Palestine situation only marginally impacted markets. Their influence on commodities or stock markets was minimal, except for certain defense companies experiencing sustained record growth.

The trade war against China by both the U.S. and the EU intensified and dominated market attention. In May, U.S. President Biden increased tariffs on strategic Chinese products like steel, aluminum, semiconductors, electric vehicles, batteries, rare earths, solar cells, specialized cranes, and medical products. The EU also toughened its stance, imposing additional tariffs on Chinese electric vehicles, varying by cooperation level of Chinese automakers, from 17.4% for BYD to 19.9% for Geely and 37.6% for SIAC, on top of the existing 10% import duty. In response, China is considering tariffs on selected European exports.

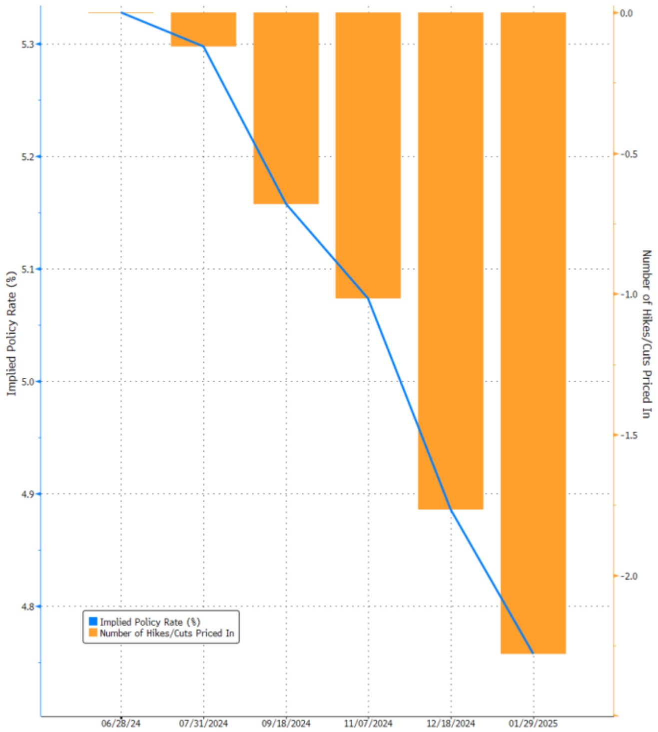
At the beginning of the year, around six interest rate cuts by the U.S. Federal Reserve were anticipated for 2024. However, as of mid-year, none had materialized, and expectations for the second half have been reduced to barely two cuts. This cautious approach by the Fed is due to a still strong economy, persistent inflation, and a robust labor market in the U.S. The Fed is wary of easing too soon and potentially overheating the system.

Expected rate cuts for 2024 as of 31.12 2023: around 6



Source: Bloomberg., 28.06.2024

Expected rate cuts for 2024 as of 30.06.2024: just under 2



Source: Bloomberg., 28.06.2024

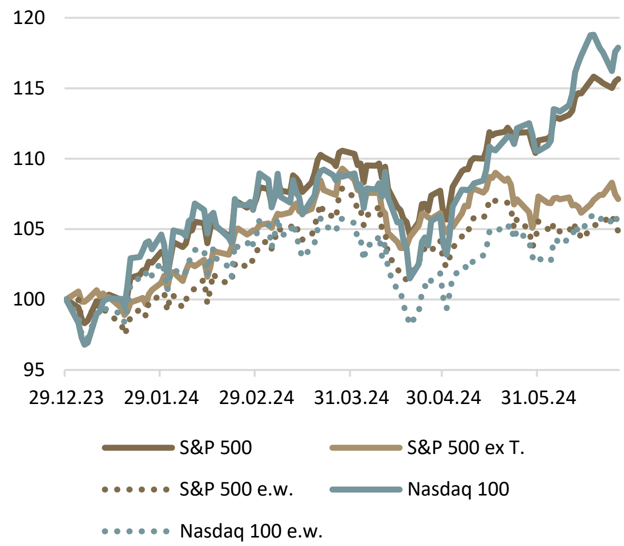
In contrast, the European Central Bank acted early, implementing its first rate cut in early June, due to weaker economic performance compared to the U.S. The Swiss National Bank (SNB) reduced rates twice, aligning with inflation settling within the desired range over recent months.

Japan's economy, after nearly three decades of deflation, showed signs of desired inflation, prompting the Bank of Japan to raise interest rates from negative territory in March. Concurrently, the BoJ reassured a market-friendly stance, boosting the Japanese stock market. The Chinese central bank, despite introducing plans to support the cooling economy and troubled real estate sector in the first half of 2024, has yet to implement convincing and effective stimulus measures.

Overview Asset Classes

At first glance, U.S. stock markets showed strong gains in the first half of 2024. However, beneath the surface, market breadth remained narrow, similar to 2023, with performance concentrated in a handful of stocks. The term «Magnificent 7» is no longer used due to a significant correction in Tesla Inc., but a few companies still drove major indices. «Mega Cap» names like NVIDIA Corp., Microsoft Corp., Alphabet Inc., Amazon.com Inc., Meta Platforms Inc., and Apple Inc. accounted for 62% of the S&P 500's 16% gain. Excluding the technology sector, the S&P 500 increased by only 7%. When calculating the S&P 500 index equally weighted instead of market-weighted, the index rose just 5%. Three companies have market capitalizations exceeding USD 3 trillion, collectively representing over 20% of the S&P 500. The top 25 stocks combined have a market capitalization roughly equal to the remaining 475 stocks.

Similar trends were observed in the well-known U.S. technology index, Nasdaq 100. It posted an 18% gain in 1H2024, while the equally weighted Nasdaq 100 rose only about 5%.



Source: Bloomberg., 28.06.2024

The strong focus on technology and growth stocks is primarily driven by the omnipresent theme of «Artificial Intelligence (AI)», fueling growth expectations among companies and investors, pushing the S&P 500 and Nasdaq 100 to new highs. Companies specializing in AI technology (e.g., NVIDIA Corp.) and suppliers (e.g., TSMC Ltd., SK Hynix Inc., ASML Holding NV) benefited, as did diversified tech giants implementing and selling AI applications (e.g., Microsoft Corp., Alphabet Inc., Apple Inc.). These companies reported strong earnings and raised their outlooks, justifying their stock valuations to some extent.

The high concentration in Big Tech is also evident compared to the U.S. Small-/Mid-Cap index Russell 2000, which ended 1H2024 nearly flat at +0.20%. The sector allocation of the

S&P 500 further highlights the tilt towards technology and communication sectors:

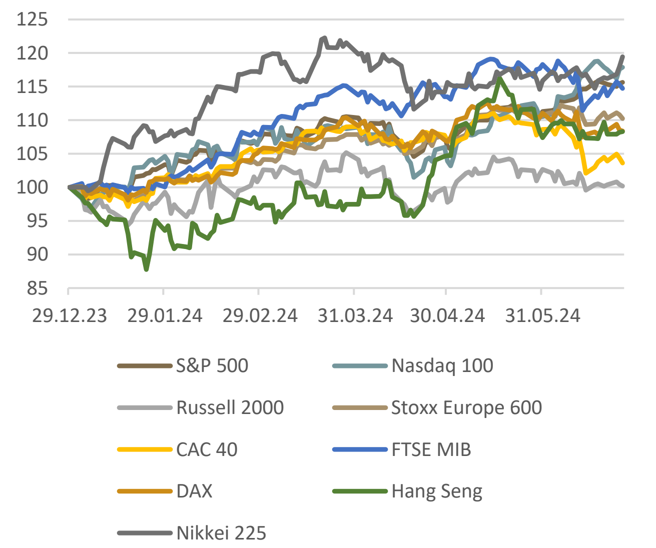
	1H2024	2Q2024	1Q2024
Technology	+28.2%	+13.8%	+12.7%
Communications	+26.7%	+9.4%	+15.8%
Energy	+10.9%	-2.4%	+13.7%
Financials	+10.2%	-2.0%	+12.4%
Utilities	+9.4%	+4.7%	+4.6%
Cons. Staples	+9.0%	+1.4%	+7.5%
Health Care	+7.8%	-1.0%	+8.9%
Industrials	+7.8%	-2.9%	+11.0%
Cons. Discretionary	+5.7%	+0.6%	+5.0%
Materials	+4.1%	-4.5%	+8.9%
Real Estate	-2.4%	-1.9%	-0.5%

Source: H.A.M., 28.06.2024

European stock markets performed positively, but due to their structural focus on finance, industry, and consumer sectors with less emphasis on technology, they lagged behind U.S. indices. The Stoxx Europe 600 rose by 10.2%. French stocks weighed on the overall picture (CAC 40 +3.6%), while Italian (FTSE MIB +14.7%) and German (DAX +8.4%) stocks performed relatively better. European companies are more exposed to demand from China, which remains subdued, impacting European stocks.

The Hong Kong stock market made gains until mid-May, showing a strong catch-up effect compared to other regions. However, this momentum faded significantly, with the Hang Seng Index ending at +8.3%, down from a peak of +16.3%. The economic slowdown, weak real estate sector, and high unemployment continued to weigh on valuations, with no convincing measures from policymakers or the central bank yet.

Japanese stocks benefited from a weak yen, a focus on shareholder value, and a higher proportion of technology and communication companies. The end of the deflation regime also boosted the market after years of stagnation, with the Nikkei 225 surging by 19.4%, surpassing historical highs from 1989.



Source: Bloomberg., 28.06.2024

Bond markets were disappointing for investors due to persistent inflation concerns in the U.S. and Europe, coupled with strong U.S. economic indicators. This dampened expectations for central bank monetary easing, leading to fewer anticipated rate cuts. This shift drove U.S. Treasury yields higher, negatively impacting fixed-income performance. Yields on 10-year U.S. Treasuries rose to 4.4% by mid-year, up from 3.9% at the end of the previous year, with a peak of 4.7% in April. The yield curve has remained inverted since July 2022, marking the longest such period on record.

Bloomberg, 28.06.2024

Risk premiums in bond markets remained low throughout the first half of 2024, supported by solid corporate earnings, general debt reduction, and strong investor demand. Despite this, investors received relatively low compensation for credit risks in the high-yield segment. French risk premiums rose sharply against German bonds due to the unexpected announcement of snap elections.

The U.S. dollar strengthened against most currencies, with the most significant effect against the Japanese yen. The JPY depreciated by about 12% against the USD, reaching record lows since 1990, as the BoJ maintained its loose monetary policy. The CHF weakened against the EUR due to two rate cuts by the SNB compared to just one by the ECB, although political events in Europe occasionally strengthened the Swiss franc significantly

Bitcoin surged by up to 72% due to the approval of ETFs and increased acceptance on Wall Street, but then fell around 15% by mid-year due to profit-taking and a lack of subsequent drivers.

Commodity prices varied: iron ore and steel were under pressure due to weak Chinese demand (-8.6% and -10.9%, respectively), while copper and tin rose significantly due to renewable energy expectations (+12.2% and +28.8%). Gold and silver also saw substantial gains (+12.8% and +18.6%), and oil prices rose by +13.7%, supported by OPEC's continued production cuts.

Volatility at the index level was relatively low over the past six months. Apart from a brief spike in April due to heightened geopolitical tensions in the Middle East, the VIX mostly moved sideways and decreased significantly from May onwards. At the stock level, significant fluctuations were still observed in some cases.

Convertible Bonds Universe

As previously highlighted, while the stock markets appeared strong at first glance in 1H2024, the performance was driven by a very concentrated number of specialized companies. These companies currently do not have convertible bonds outstanding, although firms like NVIDIA Corp. have utilized these instruments for capital in the past. Therefore, the universe of stocks underlying convertible bonds did not benefit to the same extent from the AI megatrend.

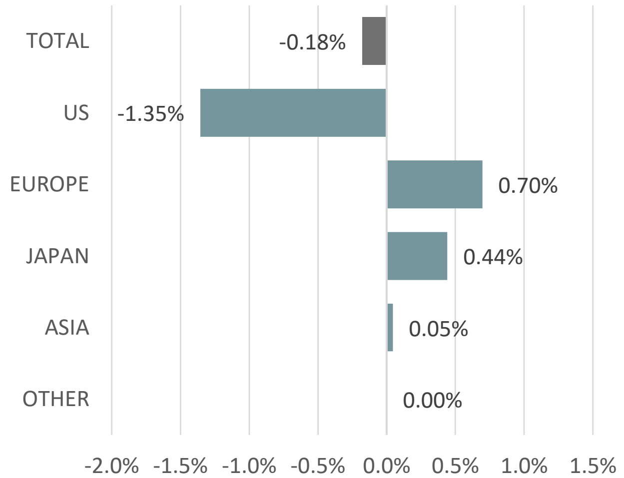
In the first half of 2024, the index for global balanced convertible bonds declined by -0.18%, while the underlying stocks fell by -2.40%. This reveals two effects: the convertible bond universe couldn't match the performance of major American tech stocks, but conversely, convertible bonds demonstrated their asymmetric properties by cushioning losses. Combined with rising interest rates, the result for convertible bonds was within expectations.

Most positive contributions came from convertible bonds with high equity sensitivity, while those with more balanced profiles showed negative performance. The latter suffered from the time decay of call options amid neutral or negative stock developments. Bonds with low to very low delta partly benefited from the «pull-to-par» effect but not enough to offset other losses.

	BP	LB	UB	EP	Total
Global	-0.54%	-0.58%	-2.50%	+3.43%	-0.18%
US	-0.30%	-0.67%	-2.08%	+1.70%	-1.36%
Europe	-0.09%	+0.19%	-0.30%	+0.90%	+0.70%
Japan	+0.00%	-0.02%	+0.08%	+0.37%	+0.44%
Asia	-0.22%	+0.01%	-0.25%	+0.51%	+0.05%
Other	+0.07%	-0.08%	+0.04%	-0.04%	-0.01%

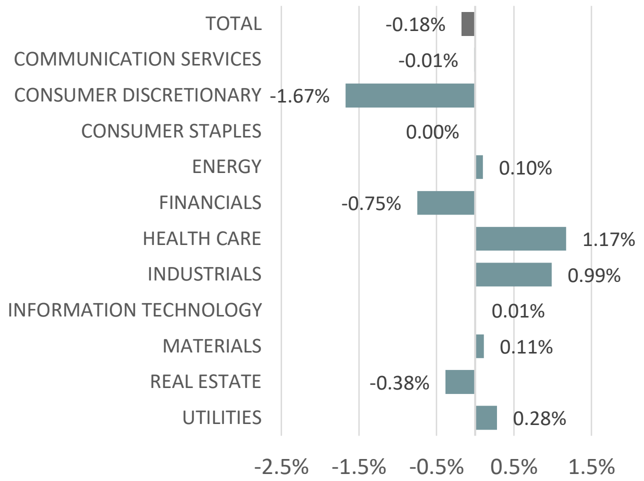
BP: Bond Proxy; LB: Lower Balanced; UB: Upper Balanced; EP: Equity Proxy / Source: H.A.M., 28.06.2024

Regionally, U.S. convertible bonds were the most affected due to the different index composition, which unlike common U.S. stock indices, does not skew towards Mega Cap tech companies. Meanwhile, Europe and Japan made positive contributions. Japan, representing only 7% of global balanced convertible bonds, did not have a larger impact despite its strong performance in 1H2024.



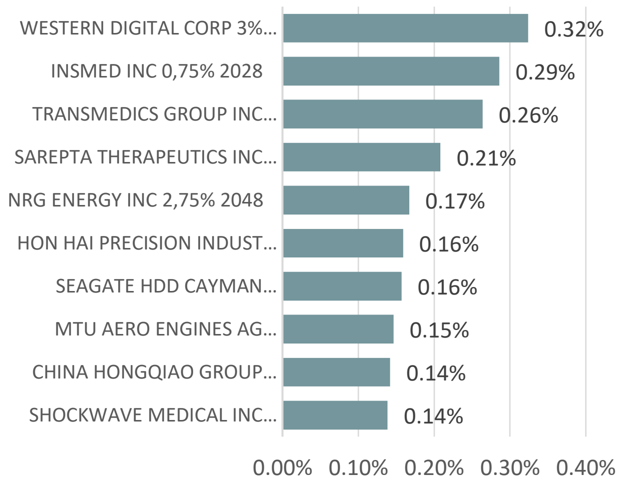
Source: H.A.M., 28.06.2024

The differences of the index composition compared to stock indices also become apparent when analyzing sector contributions. The technology sector ended 1H2024 only flat for global balanced convertible bonds, while consumer goods (especially EV producers) and financials (payment service providers) recorded clear losses. Positive contributions came from convertible bonds in the health sector (positive study results and approvals, M&A) and the industrial sector (mainly in Europe).



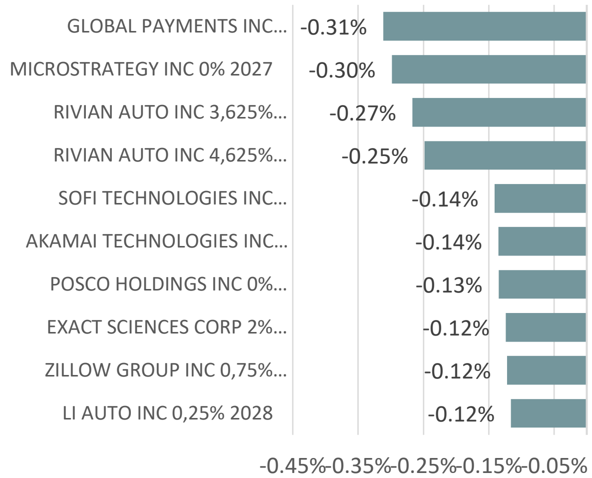
Source: H.A.M., 28.06.2024

At security level, the top ten convertible bonds showed a more diversified sector profile than U.S. stock indices. While Western Digital Corp., Hon Hai Precision Industry Co Ltd., and Seagate Technology Holdings PLC are from the tech sector, the remaining securities are from health, utilities, industry, and commodities



Source: H.A.M., 28.06.2024

Among the ten weakest global balanced convertible bonds, three are EV producers, one of the weakest areas in 1H24. Additionally, Microstrategy Inc., linked to Bitcoin, suffered due to index rebalancing. Like the top performers, the majority of the weakest performers were from the U.S.



Source: H.A.M., 28.06.2024

By mid-2024, the convertible bond universe presented a different picture than in recent years, such as 2020. With rising interest rates, investors receive positive carry and compensation if the underlying stock underperforms expectations. New deals have become more attractive to investors. With higher financing costs and robust stock markets, convertible bonds are regaining focus for companies needing capital, positively impacting new issuances. The table below illustrates the coupon savings for issuers via convertible bonds compared to conventional bonds.

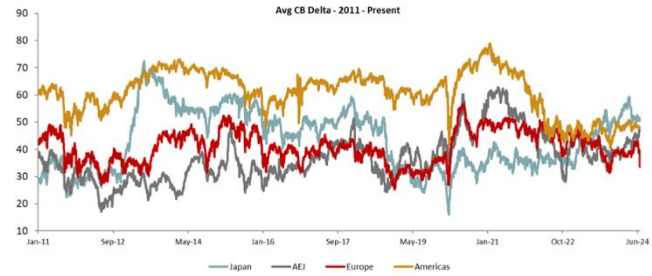
Straight Debt Yield	Straight Debt OAS (coupon - 5Y swap) (bps)	Convert Vol (%)	Convert Premium (%)	Implied Coupon for a par convert	Coupon Saving
5.00%	102	35	30	**1.18%**	**3.83%**
6.00%	202	38	30	**1.78%**	**4.22%**
7.00%	302	40	30	**2.36%**	**4.64%**
8.00%	402	40	30	**2.90%**	**5.10%**
9.00%	502	42	30	**3.45%**	**5.55%**
10.00%	602	42	30	**3.95%**	**7.52%**
11.00%	702	42	30	**4.45%**	**8.03%**

Source: Barclays Research, 14.06.2024

The primary market saw a very active 1H2024, with the largest single transaction in the asset class's history: Alibaba Group Holding Ltd.'s new issue in May exceeding USD 5 billion. In total, 95 issues amounted to USD 57.2 billion, including companies refinancing existing issues with new maturities («Maturity Wall») and numerous new issuers (accounting for 60% of U.S. deals) accessin6g capital via convertible bonds for the first time. By mid-year, 75% of the previous year's volume had already been achieved.

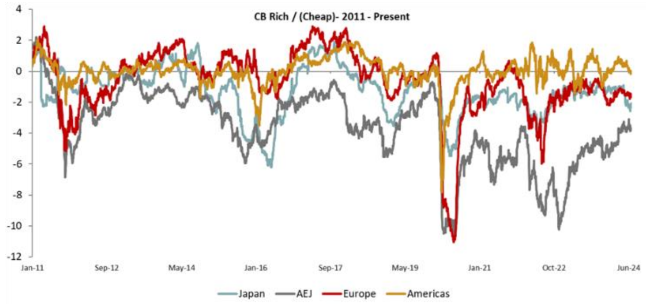
Asia was relatively strong, shifting the allocation in the global balanced convertible bond universe in its favor: from around 9% at the beginning of the year to 14% by mid-year. However, the largest shares remained with the U.S. and Europe, while Japan showed the least activity in the primary market in 1H2024.

Looking at the entire convertible bond universe, there's a shift in equity sensitivity from extreme values to a balanced range. The high average delta of U.S. securities has normalized, while Japanese convertibles now exhibit more convex profiles than four years ago.



Source: Nomura, 28.06.2024

Valuations of convertible bonds remain fair, with the discount on Asian securities partially reduced and U.S. securities slightly cheaper.



Source: Nomura, 28.06.2024

H.A.M. Global Convertible Bond Fund 1H2024

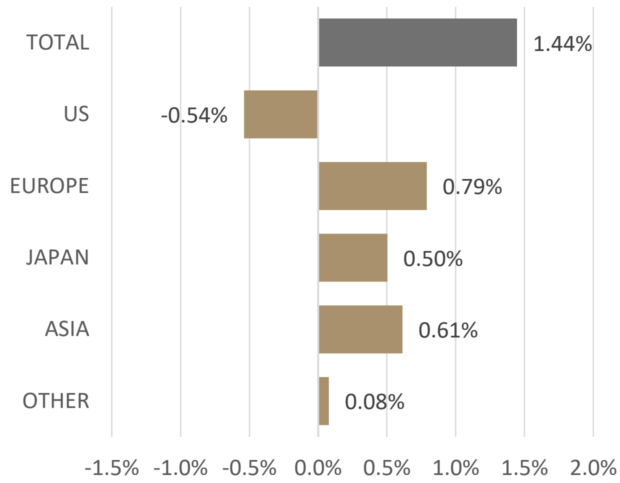
The fund maintained its global diversification in the first half of 2024, focusing on bottom-up investments across various profiles to seize the most attractive opportunities in the convertible bond market.

The H.A.M. Global Convertible Bond Fund (EUR-A tranche) achieved a net performance of +1.44% during the reporting period, significantly outperforming the global balanced convertible bond market, which declined by -0.18%.

Compared to the underlying stocks, the fund also demonstrated a clear alpha, with the strategy's stocks advancing by +1.92% versus a -2.40% decline for the broader convertible bond market.

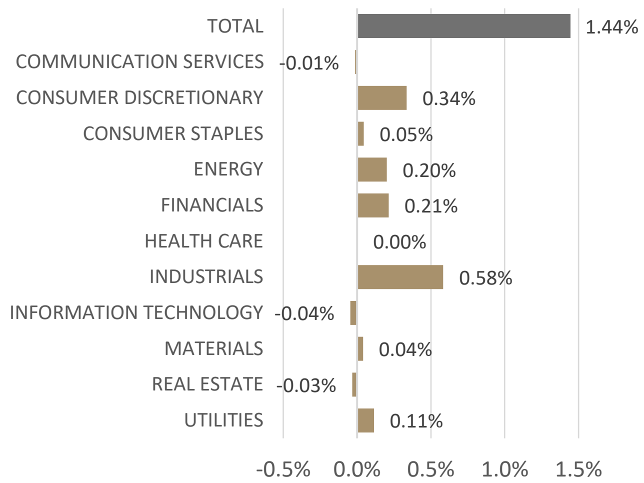
Active management and consistent diversification contributed significantly to the fund's stability and performance despite challenging market conditions in 1H2024. The results underscore the added value of our investment strategy, achieving an attractive absolute positive return within the entire convertible bond universe.

Our global allocation proved beneficial, allowing the strategy to directly benefit from the recovery in Asia and Japan and remain less exposed to the relatively weak performance of the U.S. convertible bond market.



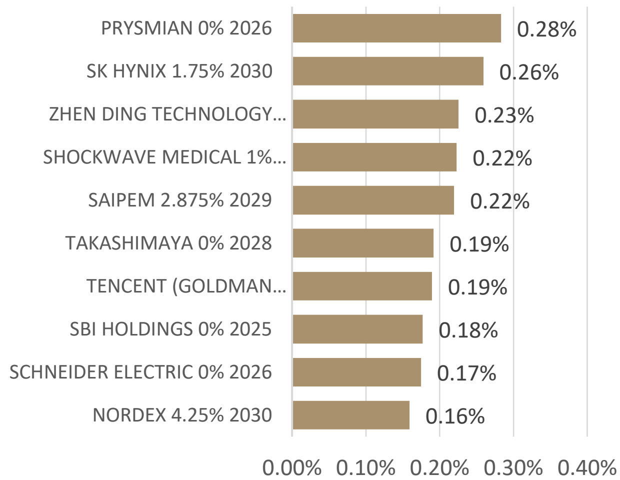
Source: H.A.M., 28.06.2024

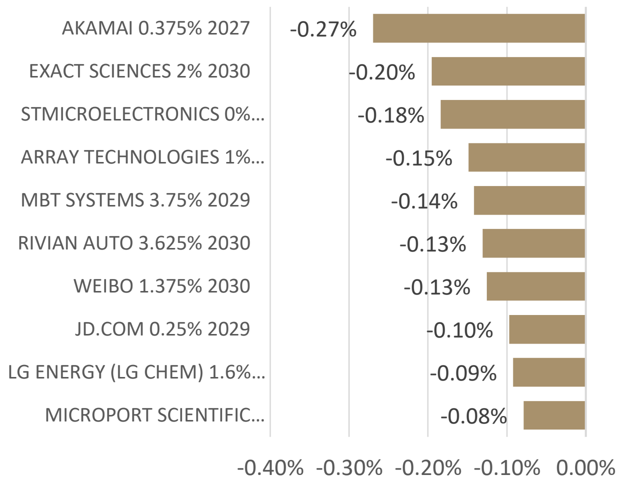
Contribution analysis shows that nearly all sectors made positive contributions, notably industrials (renewable energy technology) and consumer goods (primarily from Asia and Japan), with no significant losses from any individual sectors.



Source: H.A.M., 28.06.2024

The portfolio's broad-based allocation is also evident at the security level. Both the top ten best and worst performing convertible bonds are diversified across regions and sectors.





Source: H.A.M., 28.06.2024

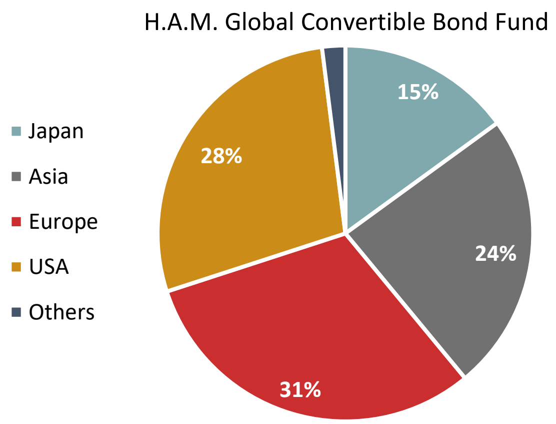
The contribution by delta profile of the convertible bonds further highlights our diversification approach: the strategy achieved positive results across more areas of the universe, avoiding significant outliers. Despite higher interest rates and time decay, the selection of undervalued convertibles resulted in mostly positive contributions.

	BP	LB	UB	EP	Total
Global	+0.34%	-0.08%	-0.13%	+1.31%	+1.44%
US	-0.03%	+0.01%	-0.64%	+0.12%	-0.54%
Europe	+0.12%	-0.06%	+0.29%	+0.44%	+0.79%
Japan	+0.00%	-0.06%	+0.26%	+0.30%	+0.50%
Asia	+0.23%	+0.03%	-0.08%	+0.44%	+0.61%
Other	+0.02%	+0.00%	+0.04%	+0.01%	+0.08%

BP: Bond Proxy; LB: Lower Balanced; UB: Upper Balanced; EP: Equity Proxy / Source: H.A.M., 28.06.2024

As of the end of June 2024, the H.A.M. Global Convertible Bond Fund's positioning remained balanced, aiming for a diversified portfolio of global convertible bonds. The fund consists of bottom-up selected securities that convince us with their risk/reward characteristics.

The strategy remains clearly more diversified than the global balanced convertible bond universe.



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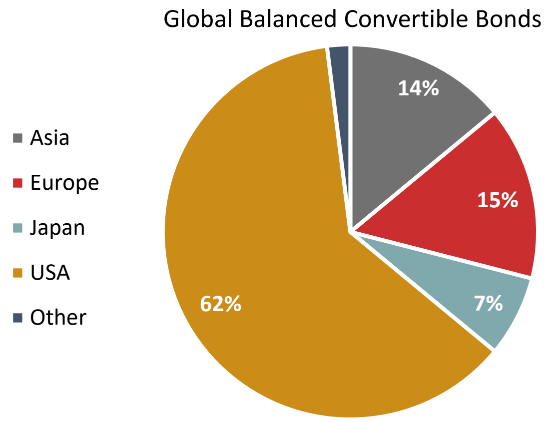

Source: H.A.M., 28.06.2024

Key Risks

Developments that could adversely affect the fund's value, in descending order of impact, include:

Stock Price Losses
High correlation with the fund's assets.

Widening Credit Spreads
Negative impact on the bond floor.

Currency Risks
The fund's assets are currently over 95% hedged against foreign currencies. A weakening against the fund's currency could negatively impact the assets.

Liquidity Risks
Increased risk aversion in financial markets can significantly reduce the liquidity and marketability of individual securities, adversely affecting price formation.

Interest Rate Risks
With a portfolio duration of around 2 years, interest rate changes should not pose a major risk.

Holinger Asset Management AG

Zurich, in July 2024