Annual Review 2023

Dear Global Convertible Bond Fund Investors,

We are pleased to present you with the annual report of the H.A.M. – Global Convertible Bond Fund (GCBF).

2023 proved to be a transitional year into a new normality, requiring adaptation from companies, investors, and consumers alike. Throughout the year, interest rates remained almost unchanged, credit risk premiums decreased, and global stock markets increased in value. However, this overview masks the significant fluctuations experienced in the interest rate markets, driven by central bank rate hikes to control inflation and growing investor hopes for rate cuts towards the end of the year. Stock markets fluctuated with these sentiments, initially gaining in the first half of the year due to the 'magnificent seven' and later witnessing a broader, more supported increase in the fourth quarter. China continued to grapple with domestic issues, facing stock market penalties as a result. Japan emerged as a hoenix from the ashes, recording its best performance in a decade. Global convertible bonds saw an increase of +7.6% over the past year, with the underlying stocks of these bonds rising by +14.1%. Due to a lower weighting in the US, the fund achieved a return of +5.6%, which was more broadly supported across different regions.

All share classes experienced an increase in value over the past year.

	Units in Circulation	Net Asset Value		Per-formance
		31.12.2022	31.12.2023	
-EUR-A-	44'085	2'106.94	2'223.88	+5.55%
-CHF-A-	66'583	1'700.62	1'761.64	+3.59%
-USD-A-	14'202	1'636.54	1'772.84	+8.33%
-GBP-A-	2'674	1'123.06	1'199.94	+6.85%
-EUR-D-	115'557	1'154.67	1'222.60	+5.88%
-CHF-D-	208'952	1'128.45	1'171.68	+3.83%
-USD-D-	11'531	1'306.39	1'420.93	+8.77%

As of December 31, 2023, the net asset value of the fund totaled EUR 669.6 million.

Market Review 2023 – Transition to the New Normality

After an extremely challenging 2022, both the bond and stock markets experienced favorable developments in the past year. However, this positive trend obscures the fact that the past year was a transitional one, prompting companies, consumers, and investors to adjust to a new normality. This transition phase led to some highly sensitive and costly corrections and fluctuations in the markets, but it also opened opportunities.

Each region tackled its own set of issues, some of which were self-inflicted. These issues did not remain confined to their respective regions but interacted with the challenges faced by other regions, sometimes intensifying the impact.

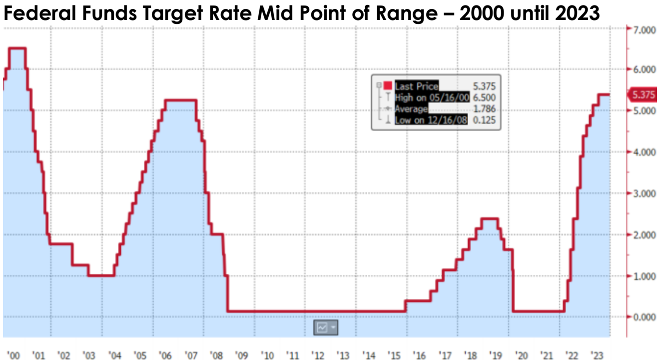
- In the US, concerns prevailed about whether the Federal Reserve would succeed in controlling inflation and achieving a soft landing for the economy, without triggering a recession due to the substantial interest rate hikes.
- **China** continued to struggle with the repercussions of its stringent zero-Covid policy, which increasingly negatively impacted both national and global economic growth. The already troubled real estate sector faced even more significant challenges, and the significant economic stimulus measures hoped for from the government largely failed to materialize.
- **Europe** was economically impacted the most by the ongoing war in Ukraine. Additionally, like the USA, Europe grappled with the highest inflation rates in decades. However, Europe didn't have the same level of flexibility in monetary and fiscal policy to address these challenges.

Geopolitical uncertainties increased once again. Tensions between the USA and China escalated, leading to further and more impactful trade restrictions against China.
Russia's war against Ukraine has been ongoing for almost two years, and despite substantial support from the West, the counteroffensive by Ukraine has not achieved the hoped-for progress.
The conflict in the Middle East escalated in October when the radical Islamist group Hamas, operating from the Gaza Strip, fired rockets at Israel and took more than 200 hostages. Israel responded with a substantial military operation against the Gaza Strip, which is controlled by Hamas.

In 2023, three of the five largest collapses in the US banking sector on record occurred. The banking crisis was not confined to the USA but assumed global proportions, triggering a classic bank run at Credit Suisse, ultimately leading to its acquisition by UBS.

Central bank officials remained undeterred by the turmoil in the banking sector, steadfastly adhering to their mandate to combat inflation, which proved more stubborn than most market participants had anticipated. Even though the Federal Reserve had already increased rates by a notable +4.25% in 2022, an additional +1.0% hike followed in 2023. This action brought US interest rates to the highest level in over 20 years and marked the most aggressive rate-hiking cycle in the Fed's history. The era of ultra-low, zero, or even negative interest rates by central banks is definitively a thing of the past.

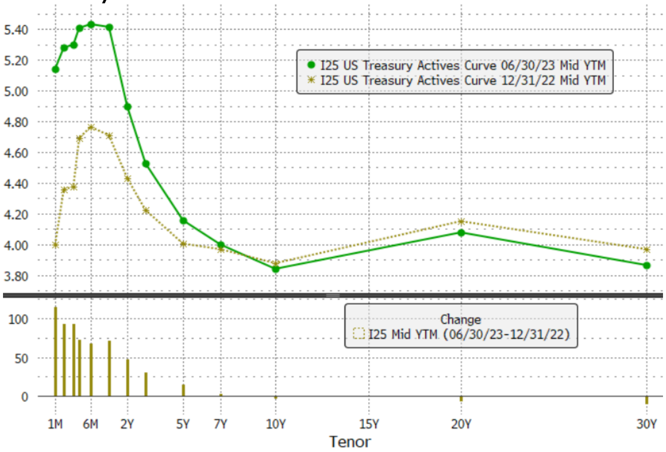
Federal Funds Target Rate Mid Point of Range – 2000 until 2023



Source: Bloomberg, Data per 31.12.2023

In the bond markets, "higher for longer" was the dominant theme, as investors prematurely priced in the peak of the tightening cycle, partly due to the turmoil in the banking sector. In the first half of the year, short-end rates rose significantly while long-end rates fell marginally, intensifying the inversion of the yield curve.

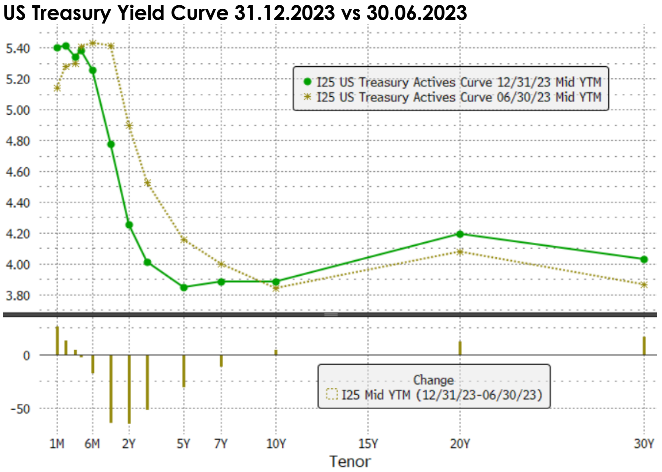
US Treasury Yield Curve 30.06.2023 vs 31.12.2022



Source: Bloomberg, Data per 30.06.2023

In the second half of the year, and particularly in the fourth quarter, market participants' hopes rose that the peak had been reached and that interest rate cuts would be announced in 2024. As a result, yields for short to medium maturities relaxed significantly again. This effect was most pronounced in the 2-year yields.

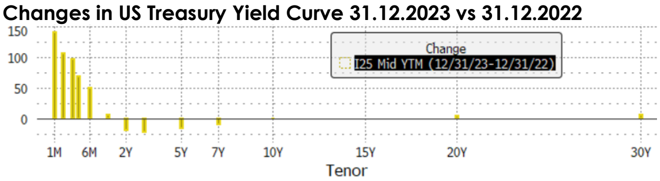
US Treasury Yield Curve 31.12.2023 vs 30.06.2023



Source: Bloomberg, Data per 31.12.2023

The substantial intra-year fluctuations in the bond market almost neutralized over the course of the year. Yields for maturities up to six months increased significantly, but for maturities starting from one year, they remained virtually unchanged. Despite the significant influence of inflation and interest rate issues on the markets last year, regularly making headlines, the bond market experienced what amounted to just a tempest in a teapot on an annual basis.

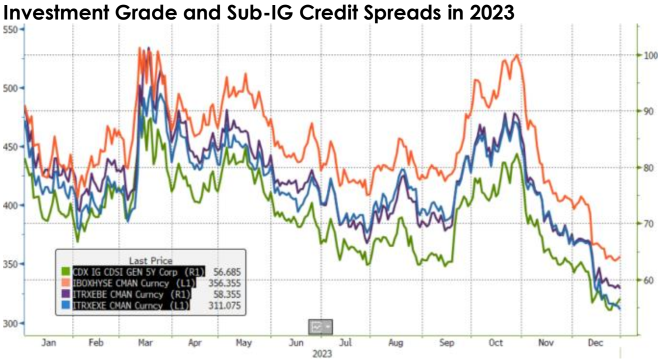
Changes in US Treasury Yield Curve 31.12.2023 vs 31.12.2022



Source: Bloomberg, Data per 31.12.2023

Credit spreads widened in the first quarter due to the banking crisis, then recovered and narrowed thereafter. When looking at the entire year, credit spreads in both the Investment Grade and Sub-Investment Grade sectors contracted significantly, thereby positively impacting bond market yields.

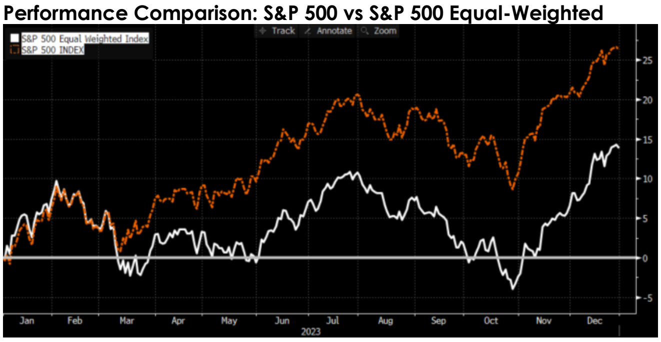
Investment Grade and Sub-IG Credit Spreads in 2023



Source: Bloomberg, Data per 31.12.2023

After a disappointing previous year, global stock markets performed very well in the first half of the year. Positive factors contributing to this performance included robust economic data from the United States and surprisingly strong corporate earnings. Additionally, the enthusiasm surrounding "Artificial Intelligence" (AI) boosted stock prices. This AI rally was pronounced but driven primarily by a few mega-cap growth stocks that lifted global stock indices. However, in the months of August, September, and October, even these stocks couldn't escape the negative market sentiment, which resulted from a mix of persistent high inflation figures, strong economic data, and consequently, higher central bank interest rates. As a result, the stock markets retraced some of their gains. With the emerging hope of the first interest rate cuts in 2024 by various central banks, the stock markets rallied significantly from late October onwards. Unlike the first half of the year, this recovery was more broadly supported and not solely driven by a few heavyweights. In December, stocks of smaller and mid-sized companies, as well as highly leveraged companies, particularly saw gains. The latter are expected to benefit the most from lower interest rates.

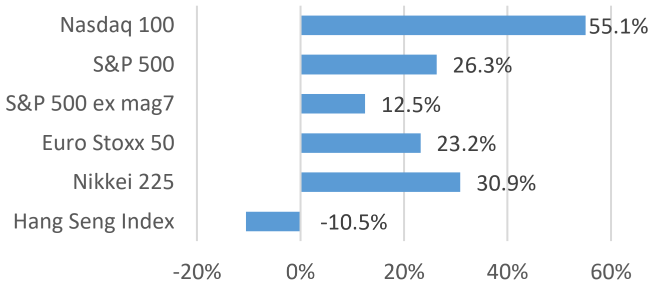
Performance Comparison: S&P 500 vs S&P 500 Equal-Weighted



Source: Bloomberg, Data per 31.12.2023

Looking at the performance of selected stock indices for the year 2023, the figures speak for themselves (in local currency).

Total Return Performance of Selected Stock Indices



Source: Bloomberg, Data per 31.12.2023

- The Nasdaq 100 recorded a remarkable increase of +55%, achieving its strongest performance since the turn of the millennium.

- The S&P 500 rose by +26% and closed just 30 points below its all-time high.

- The Euro Stoxx 50 increased by +23% and reached its highest level in 17 years.

- The Nikkei 225 gained an impressive +31%, hitting a 30-year high.

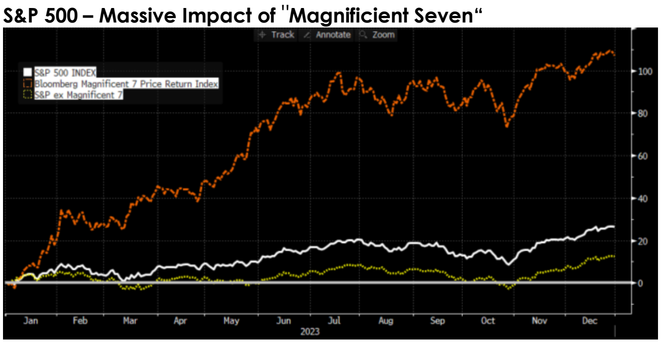
- On the other hand, the Hang Seng Index declined by -11% and couldn't shake off concerns about the Chinese economy and the struggling real estate sector. The negative trend from previous years continued in 2023, leading to a greater dispersion in regional performance.

Total Return Performance over 5 Years (in local currency)

Source: Bloomberg, Data per 31.12.2023

The past year proved to be particularly challenging for active investors, as only a handful of stocks generated the majority of the performance. A prime example of this was the American market: in the Nasdaq 100, the largest six companies accounted for 51% of the index, while the remaining 94 stocks made up the remaining 49%. The annual performance of these six stocks was as follows: Apple +49%, Alphabet +58%, Microsoft +58%, Amazon +81%, Tesla +102%, and Nvidia +239%.
Even in the supposedly "broader" S&P 500 Index, the influence of these six companies plus Meta (+194%) was very pronounced. These so-called "magnificent seven" represented more than 25% of the S&P 500 and doubled in value last year. For the remaining 493 companies in the S&P 500, 2023 was positive with a performance of +12.5%, although less spectacular.

S&P 500 – Massive Impact of "Magnificient Seven"



Source: Bloomberg, Data per 31.12.2023

The US dollar depreciated slightly against most currencies, while the Swiss franc strengthened against the EUR and USD, and the Japanese yen weakened. Commodity prices suffered due to China's economic slowdown, causing prices for crude oil and base metals to decline. Gold (in USD) gained 12%, and cryptocurrencies saw substantial increases, with Bitcoin prices doubling to over USD 42,000 (+156%).

Convertible Bonds in 2023

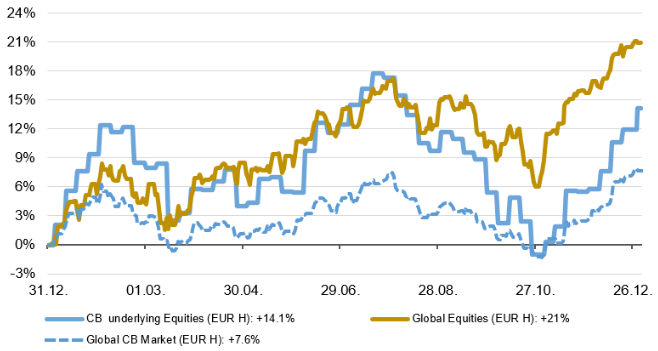
Considering the favorable developments in both stock and bond markets, global convertible bonds also recorded price gains. The balanced universe of convertible bonds increased by +7.6% last year. Unlike the previous year when interest rate movements had a significant impact on convertible bond performance, this was less pronounced in 2023. Lower credit spreads had a more substantial influence than changes in interest rates. The primary driver of convertible bond performance in 2023 was clearly the underlying stock's performance.

Convertible bond performance was influenced by several factors:

Stock Markets: The global stock market recorded a strong increase of +21.0% in 2023. This was primarily attributed to the "glorious seven," which contributed 39.8% of the total stock market performance (with a weight of 16.9%). As these companies did not issue convertible bonds, a direct comparison with stock indices was less informative and occasionally confusing. A more meaningful comparison would involve the performance of stocks that also had outstanding convertible bonds.

Underlying Stocks of Convertibles: The underlying stocks of convertible bonds increased by +14.1% last year, showing a less pronounced rise than the broader global stock market (+21.0%). Adjusted for the "glorious seven," the performance of the underlying stocks of convertibles was in line with the "normal" market development (+15.2%). The heavy weighting of US convertibles (almost 60%) and the low weighting of convertibles from the Asian region proved advantageous once again, as US stocks benefited the most from the year-end rally.

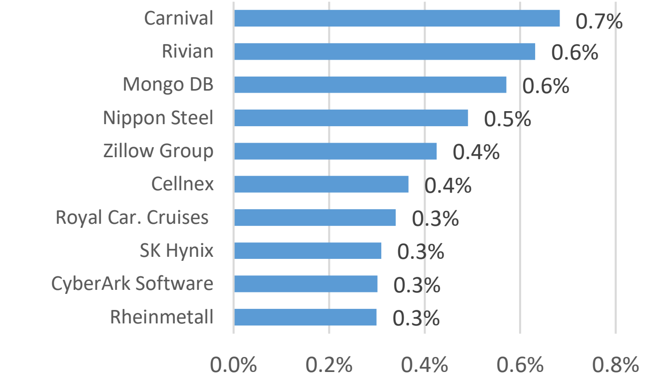
Performance Global Stocks vs CB-Underlying Equities



Source: Bloomberg, HAM, Data per 31.12.2023

While the "glorious seven" did not issue convertible bonds, a similar pattern was observed in the convertible bond market: although the balanced convertible market comprises more than 200 securities, the convertibles from five issuers contributed about 37% to the annual performance, and those from ten issuers contributed nearly 60%. Convertible bonds from the travel sector, particularly cruise providers and airlines, recorded significant price gains. Additionally, a few convertibles also benefited from the AI rally.

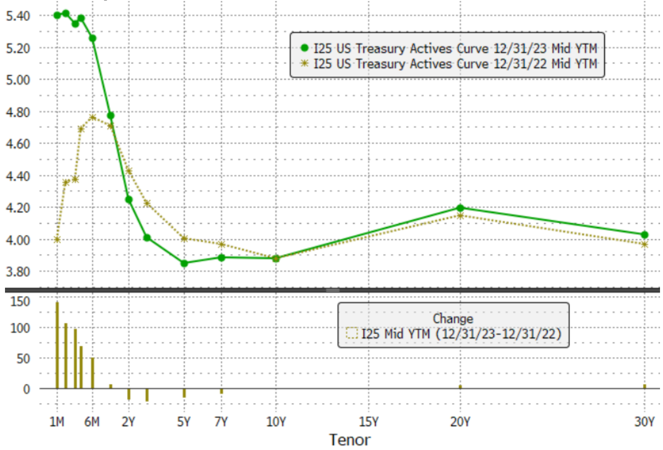
Performance Contribution - Issuers



Source: HAM, Data per 31.12.2023

- **Interest Rates:** Convertible bonds with their bond component were affected by rising interest rates. While the convertible market had a relatively short effective duration of around two years, and therefore less sensitive to interest rate changes compared to the broader bond market with longer durations, the impact of higher interest rates was more pronounced due to the non-parallel yield curve shift, especially in the shorter end of the yield curve. One-year US rates increased marginally by +0.06% during the year, while two-year rates decreased by -0.18%, and ten-year rates remained essentially unchanged. The same was true for the 2-year Bund yield, which was also unchanged year-over-year. The strong fluctuations in the short and medium-term segments of the yield curve led to a constant reappraisal of the bond component of convertibles. The overall impact of interest rates on the convertible market in year-end comparison was relatively small but introduced volatility during the period.

US Treasury Yield Curve 31.12.2023 vs 31.12.2022



Source: Bloomberg, Data per 31.12.2023

- **Credit Spreads:** A significant portion of the convertible universe lacked an official credit rating. Among the convertibles with credit ratings, the majority were from the sub-investment grade category, with only a minority having an official investment-grade rating. Credit spreads widened in the first quarter, mainly due to concerns about banking crises. However, when viewed over the entire year, credit spreads across all credit qualities narrowed significantly, positively impacting the yields of convertible bonds. Convertibles from issuers with high levels of indebtedness particularly benefited from this development.

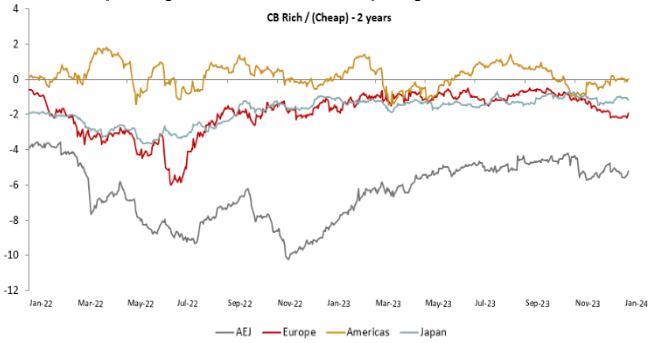
- **Volatility:** Market volatility increased in the first quarter due to the banking crisis, reaching yearly highs in mid-March (+35% for the VIX, +70% for the Euro Stoxx 50 Volatility Index). In the following months, market fluctuations calmed, bringing volatility indices back closer to their relatively low levels at the beginning of the year. However, they dropped again in December as part of the year-end rally. The Hang Seng Index's volatility had a life of its own and decoupled from other regions. The generally lower volatilities negatively affected the valuation of the options component of convertible bonds.

Volatility Indices in 2023

Source: Bloomberg, Data per 31.12.2023

- **Valuation of Convertible Bonds:** Convertible bond valuations remained mostly stable in 2023. The asset class, on average, traded slightly below its theoretical fair value. Investment-grade names from Europe and the USA with maturities of 1-2 years, which historically were relatively expensive, came under pressure due to redemptions in the asset class. Additionally, the time decay effect became most noticeable here since fair value is reached at maturity. In contrast, short-dated Asian convertibles benefited from this effect as they were generally undervalued and profited from the "pull to par/fair value" effect.

Market Cap-Weighted CB Valuation by Region (below 0 = Cheap)



Source: Nomura, Tier 1 & 2 Convertible bonds only, Data per 31.12.2023

Asian convertibles remained undervalued from a valuation perspective, while their counterparts from Europe, Japan, and the USA were mostly slightly undervalued to fair by year-end.

The performance of +7.6% for the balanced segment of global convertibles in 2023 can be well understood when considering the individual performance drivers. It fell within expectations given the credit and stock markets. Thanks to their higher equity sensitivity, US convertibles benefited the most from positive stock markets, while Asian convertibles were more influenced by interest rate and credit spread changes.

The development of the underlying stock was the main driver of convertible performance across all regions. Thus, convertible bonds with a pure bond profile (BP) or those with low equity participation (LB) tended to lose value, as they either suffered from higher interest rates or the time decay of the option exceeded any potential positive stock movement. The narrowing of credit spreads had a positive impact but could not fully offset this effect. Convertible bonds with higher equity participation (UB) and equity proxies (EP) recorded the largest price gains.

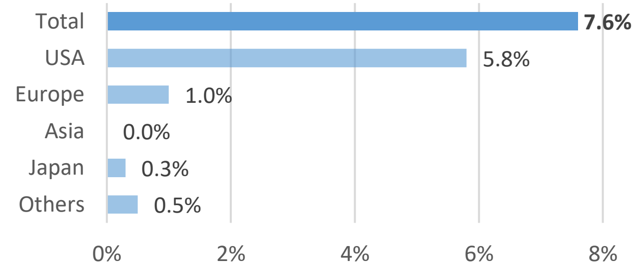
Performance by Convertible Bond Profile

	BP	LB	UB	EP	Total
Global	**-0.1%**	**-1.6%**	**+2.1%**	**+7.2%**	**+7.6%**
USA	+0.3%	-0.8%	+1.5%	+4.8%	**+5.8%**
Europe	-0.3%	-0.3%	+0.8%	+0.8%	**+1.0%**
Asia	-0.1%	-0.3%	-0.2%	+0.6%	**+0.0%**
Japan	-0.0%	-0.2%	-0.1%	+0.6%	**+0.3%**
Others	-0.0%	-0.0%	+0.1%	+0.4%	**+0.5%**

BP: Bond Proxy; LB: Lower Balanced; UB: Upper Balanced; EP: Equity Proxy
Source: HAM, Data per 31.12.2023

The USA contributed approximately 75% to the annual performance, with a gain of +5.8%, followed by Europe (+1.0%), Other (+0.5%), and Japan (+0.3%). The underlying stocks of Asian convertibles could not escape the weak economic performance in China and mostly lost value. However, some South Korean and Singaporean securities managed to record price gains. Overall, the Asian region ended the year with a breakeven performance (+0.0%).

Performance by Regions



Source: HAM, Data per 31.12.2023

The **primary convertible bond market** was more active in 2023, with numerous issuances from all regions and various sectors. In total, 140 convertible bonds were issued, with an issuance volume of EUR 65 billion, more than doubling the previous year.

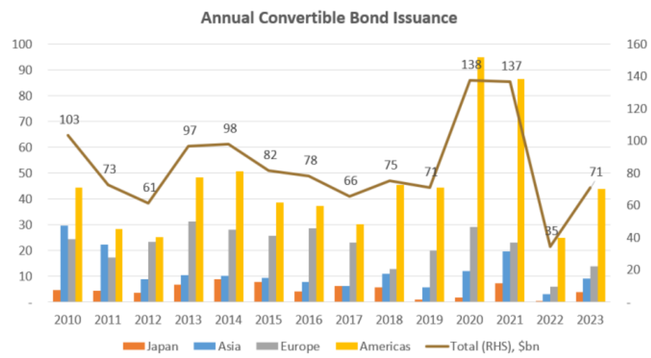
New Issue Volume

	2023			2022		
	#	m EUR	%	#	m EUR	%
Global	**140**	**65'606**		**83**	**31'229**	
USA	71	40'013	61%	51	21'649	70%
Europe	29	12'708	19%	16	4'759	15%
Asia	18	8'398	13%	8	3'182	10%
Japan	17	3'543	6%	2	391	1%
Others	5	944	1%	6	1'247	4%

Source: HAM, Data per 31.12.2023

Compared to previous years, US dominance in the primary market was less pronounced. Activity in Asia and especially Japan increased significantly, although the comparison basis was relatively low. Primary market activity generally matched the average of the last 15 years.

Primary Market Convertible Bonds – Volume in $bn

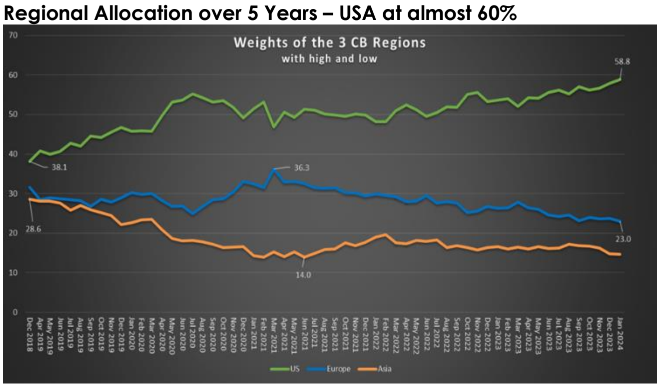


Source: Deutsche Bank, Nomura, HAM, Data per 31.12.2023t

Many convertible bonds were redeemed last year, mostly in line with their ordinary maturity. Additionally, investors exercised their early redemption rights for various Asian convertibles, while companies proactively repurchased portions of their outstanding convertibles to address and optimize the maturity structure early. Some convertible bonds were also exchanged for shares. Despite active issuance, this resulted in the net volume of the convertible universe remaining largely unchanged last year.

The previous dominance of the USA in the primary market over the past 5 years led to an increasing weighting of this region, to the detriment of Europe and Japan. The share of the USA in the balanced segment of global convertible bonds increased from 38% in December 2018 to 59% in December 2023. In contrast, Europe's weighting decreased from 33% to 23%, and Asia including Japan decreased from 29% to 19%. A relatively balanced global convertible universe gradually transitioned into a "core-satellite" strategy, with the USA as the core investment and other regions as satellites. The performance attribution in 2023 reflected this trend.

Regional Allocation over 5 Years – USA at almost 60%



Source: Nomura, balanced global CBs, Data per 31.12.2023

The generally higher interest rate environment led to an increase in corporate financing costs. As a result, issuing convertible bonds became more attractive. Due to the lower coupon rates of convertibles compared to bonds, they achieved interest savings and could keep funds in the company. The higher the interest rate environment and the lower the credit quality of the company, the greater this interest saving effect. The higher interest rate environment resulted in newly issued convertibles having a cash coupon, in contrast to previous years when a 0% coupon was prevalent.

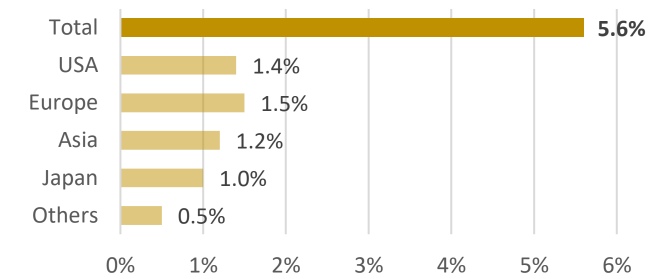
Performance H.A.M. Global Convertible Bond Fund

As in previous years, the fund in 2023 was broadly invested across all regions, resulting in a larger exposure to Asia and a lower exposure to the USA than common global convertible bond indices. This proved disadvantageous given the significantly different stock price developments in the two regions. In 2023, the fund (EUR-A Tranche) recorded a gain of +5.6%, performing worse than the balanced segment of the global convertible bond market (+7.6%) but almost on par with the performance of the underlying stocks in the fund's positions (+5.9%).

Despite a disadvantageous "top-down" allocation, the fund managed to achieve a balanced and broadly supported performance. The fund's broader risk diversification was reflected in more balanced regional and sector contributions compared to the global convertible bond market, as well as lower fund volatility.

From a regional perspective, Europe (+1.5%) contributed the most to the positive fund performance, followed by the USA (+1.4%), Asia (+1.2%), Japan (+1.0%), and Other (+0.5%). Many of the held Asian convertibles had low equity sensitivity and had bond-like characteristics with an attractive yield at maturity. These bond-proxy securities contributed positively to performance in 2023, benefiting from the "pull-to-par" effect and lower credit spreads. Additionally, the fund's successful selection of individual Asian positions resulted in positive returns despite the challenging stock market situation in China/Hong Kong. On the other hand, the lower US weighting proved to be a clear disadvantage, as the USA and the more equity-sensitive convertibles performed best last year.

H.A.M. GCBF: Performance by Regions



Source: HAM, Data per 31.12.2023

The underlying stocks of the fund's positions gained +5.9% in 2023, significantly less than the underlying stocks of the balanced global convertible bond market (+14.1%). This was primarily due to the lower US allocation and higher Asia allocation of the fund. Additionally, the fund invested less in the strongly performing travel sector (no exposure to cruise companies and lower exposure to airlines) and consciously avoided investments in various companies from an ESG perspective (e.g., steel producer Posco, industrials Rheinmetall and Safran).

Unlike the broad convertible bond market, where the underlying stock was clearly the driving force of performance, the fund managed to achieve a positive return from almost all convertible profiles..

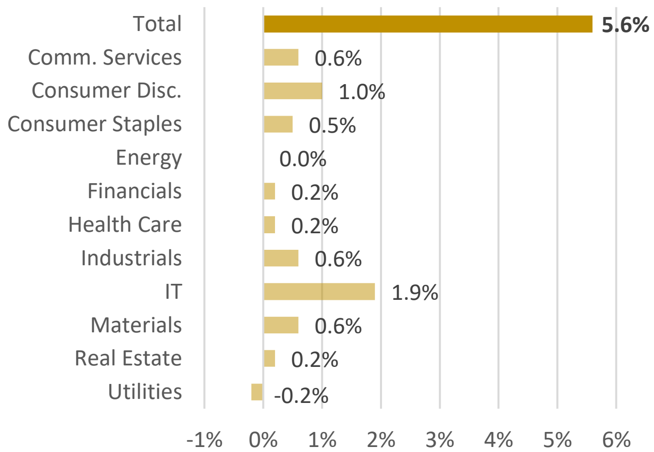
Fund Performance by Convertible Bond Profile

	BP	LB	UB	EP	Total
H.A.M. GCBF	**+0.7%**	**-0.1%**	**+1.3%**	**+3.7%**	**+5.6%**
USA	-0.02%	-0.3%	+0.9%	+1.0%	**+1.4%**
Europe	+0.3%	+0.3%	+0.1%	+0.8%	**+1.5%**
Asia	+0.6%	-0.0%	-0.0%	+0.6%	**+1.2%**
Japan	+0.0%	-0.0%	+0.2%	+0.8%	**+1.0%**
Others	+0.0%	-0.1%	+0.1%	+0.5%	**+0.5%**

BP: Bond Proxy; LB: Lower Balanced; UB: Upper Balanced; EP: Equity Proxy
Source: HAM, Data per 31.12.2023

The fund's performance of +5.6% was achieved through a broadly diversified sector performance. With the exception of utilities (-0.2%), all other sectors contributed positively to performance. Information technology (+1.9%), cyclical consumer goods (+1.0%), as well as industrials, basic consumer goods, and materials (each +0.6%) recorded the largest positive returns.

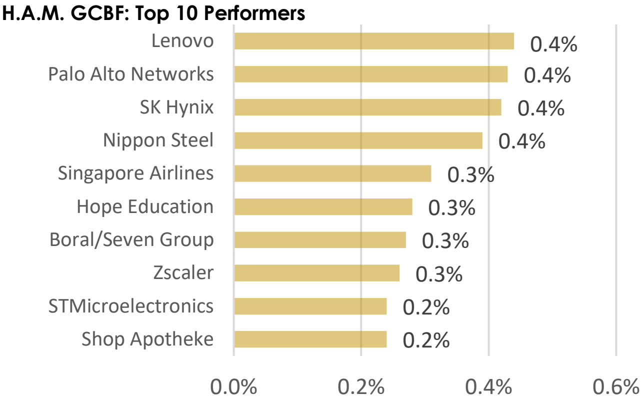
H.A.M. GCBF: Performance by Sectors



Source: HAM, Data per 31.12.2023

The fund continued to pursue a bottom-up approach with the aim of offering a balanced and broadly diversified portfolio of global convertible bonds. This was always done while considering the risk/return characteristics of individual positions as well as at the fund level. As a result, the fund was more evenly distributed across regions than the convertible market, which also led to a greater underweighting of the USA (around 26% compared to 57%) and the IT and healthcare sectors. The top 10 performers of the fund perfectly reflected this diversification approach: 4 were from Asia, 2 from the USA and Europe, and 1 each from Japan and Other (Australia). In comparison, 6 were from the USA, 2 from Europe, and 1 each from Asia and Japan for the balanced segment of the global convertible bond market.

H.A.M. GCBF: Top 10 Performers



Source: HAM, Data per 31.12.2023

The positive contributions from individual securities were the result of different sources of performance. These positive performance contributions were achieved by convertible bonds that:

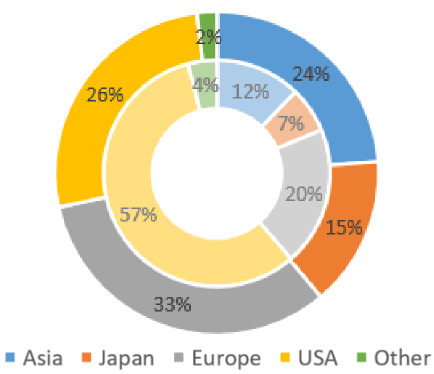
- benefited from positive stock movements (convertibles with a "balanced" or "equity" profile)
- achieved price gains (pull-to-par effect) and/or coupon gains despite having a "bond" profile
- profited from the normalization of valuations, especially various short-dated "bond-proxy" names in Asia
- gained from special situations, such as takeovers, early buyback offers, etc.

Current Positioning

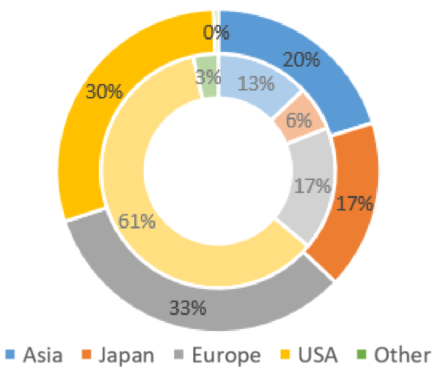
Convertible bonds represent an attractive investment opportunity in the current environment for several reasons. They can participate in potential positive stock market developments due to the conversion feature. Additionally, their relatively short duration of around two years makes them less exposed to interest rate fluctuations and positions them to benefit from expected interest rate cuts in the short term in 2024. On average, convertible bonds are currently slightly undervalued to fair, with bonds outside of the convertible bond indices trading below their theoretical fair value, which is expected to normalize over time. The largest valuation disparity can still be observed in Asian convertible bonds.

We do not expect major changes in the "top-down" allocation of the fund. Our investment objective remains to offer a broadly diversified and balanced portfolio of global convertible bonds, independent of an index, with a focus on managing risks.

Regional Allocation (by Nominal Weight)



Regional Allocation (by Delta)



Source: HAM, Data per 31.12.2023

Outer Circle: H.A.M. – Global Convertible Bond Fund
Inner Circle: Global CB Market (balanced)

Key Risks

Risks that could adversely affect the fund's performance, in descending order, include:

Losses in Stock Prices
A relatively high correlation with the fund's assets

Expansion of Credit Spreads
Would have a negative impact on the bond floor

<u>Currency Risks</u>

Over 95% of the fund's assets are currently hedged against foreign currencies. A weakening against the fund's currency could have an adverse effect on its assets.

<u>Liquidity Risks</u>

Increasing risk aversion in financial markets can reduce the liquidity and marketability of individual securities, adversely affecting pricing.

<u>Interest Rate Risks</u>

The portfolio has a relatively short duration of around two years, implying that interest rate changes should not pose a major risk.

Holinger Asset Management AG, Zurich

January 2024