

BANTLEON SELECT CORPORATE HYBRIDS

Monthly Management Report: May 2024



Capital Markets: Review & Outlook

At the beginning of May, weak US labour market data and dovish statements from the Fed President initially pushed the interest rate fears that had grown in April into the background. Yields on US Treasuries - and in their shadow those on EUR government bonds - fell accordingly. However, the picture changed in the second half of the month. Several representatives of the US Federal Reserve warned that the current data situation would not allow interest rates to be cut for some time. This view was confirmed by the surprisingly strong US purchasing managers' indicators, among other things. At the same time, the counterparts for the Eurozone provided further evidence of the incipient economic recovery in the monetary union. As a result, EUR government bonds gave back their previous price gains, which were also fuelled by the recent disappointing inflation data. German government bond prices ultimately remained more or less flat on the month, while US Treasuries recorded a slight gain. All in all, the favourable economic data and positive company reports supported the risk-on sentiment on the financial markets in May. Bond spreads narrowed again, both for quasi-government-related bonds and Pfandbriefe (covered bonds) as well as corporate bonds. Risk premia fell most significantly in the high-yield and subordinated segments. At the same time, the equity markets made up for their April setbacks. Several blue chip indices even reached new all-time highs.

In the medium term, we still see a risk that the US economy will lose more momentum than generally expected. This would put a severe damper on the emerging economic recovery in the Eurozone. As a result, high-quality government bonds are likely to receive a boost and the equity markets could find themselves in rougher waters. In the short term, however, continued positive US growth data and a simultaneous slow decline in inflationary pressure could continue to weigh on government bonds and support dividend stocks.

Portfolio Management Report

The corporate hybrid market presented a mixed picture in May 2024. In the first half of the month, it benefited from a decline in interest rates on German government bonds, which offset a slight increase in risk premia. In contrast, there was a trend reversal in the second half of the month - yields on German government bonds rose. In contrast to previous years, however, the inverse correlation between yields on German government bonds and risk premia observed since the beginning of the year persisted. This resulted in a significant narrowing of risk premia, which more than compensated for the rise in yields. Measured against the »ICE BofA Euro Non-Financial Subordinated Index«, risk premia narrowed by 10 basic points on a monthly basis, resulting in a total return of 0.71%. This means that every month since the beginning of the year has ended with lower risk premia. First-class investment-grade corporate bonds, on the other hand, only achieved a return of 0.24%, with risk premia falling by 5 basic points - as measured by the »ICE BofA Euro Corporate Senior Index«. The high-yield market, represented by the »ICE BofA Euro High Yield Index«, recorded a gain of 0.96%, with risk premia narrowing by 21 basic points. Activity on the new issue market remained solid, with issues by *Alstom*, *EDP* and *Centrica* totalling around EUR 2 billion, with demand remaining high. Apart from participation in the new issues and minor tactical adjustments, the positioning of the fund remained almost unchanged in May. Only the duration was increased again to 3.64% in the wake of the rise in interest rates following the temporary reduction. The yield on the first call date was 6.00% at the end of May.

BANTLEON SELECT CORPORATE HYBRIDS has an MSCI ESG rating of »A«.

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