For Professional Investors Only - Not for use by Retail Investors **HMAM Credit Fund** I Acc GBP **Q2 2024**	

Market Overview

European credit markets are showing signs of stabilization following a year of significant volatility, as investor confidence in the region's economic outlook strengthens. This renewed optimism is crucial for market recovery and could lead to improved credit conditions. In the UK, the government has revised immigration policies to address labor shortages in key sectors, balancing economic needs with immigration control. These changes aim to support economic growth by ensuring an adequate labor supply. Globally, rising interest rates are impacting stock markets, causing increased volatility as investors reassess risk and corporate earnings prospects. This environment necessitates careful portfolio management and strategic asset allocation. Understanding the yield curve is essential for investors, as its shape can provide insights into economic health and guide investment decisions. Meanwhile, Federal Reserve Chair Jerome Powell has signaled potential further interest rate hikes to control inflation, which may affect economic growth and necessitate adjustments in monetary policy strategies.

Performance

During the period, the HMAM Credit portfolio appreciated in value and outperformed its benchmark. The portfolio maintained a moderately short duration of 4.08 years against the index of 4.24 years. The portfolio's moderate short duration positioning contributed to its relative performance. Further analysis reveals that positive selection and credit decisions drove the majority of the gains, while negative curve and allocation decisions partially offset these positive contributions.

Against its Morningstar peer group the portfolio was 11th percentile over the period. Over the last twelve months the mean (average) position was 59 % percentile. The risk-return analysis shows a Sharpe ratio of 1.20 (higher versus the peer average of 1.06), reflecting the portfolio's strong efficiency in delivering risk-adjusted returns. The portfolio's beta of 0.61 indicates lower market sensitivity compared to peers (average 0.82).

During the period, a majority of the portfolio positions contributed, the largest contributors were Government of United Kingdom and UBS Group. The most significant detractor was BMW Group.
Considering in greater detail Government of United Kingdom, the return outperformed the benchmark. Government of United Kingdom was overweight and the impact on returns was close to neutral, with a positive net contribution and we maintained a large long position 9.06 for a delta of 4.98.

Exploring further UBS Group, the return outperformed the benchmark. UBS Group was overweight and the impact on returns was close to neutral, with a positive net contribution and we maintained a moderate short position 3.15 for a delta of -0.93.

Exploring further HSBC Holdings PLC, the return outperformed the benchmark. HSBC Holdings PLC was overweight and the impact on returns was negligible, with a positive net contribution and we maintained a large short position 1.87 for a delta of -2.21.

Considering in greater detail BMW Group, the return underperformed the benchmark. BMW Group was underweight and the impact on returns was negligible, with a negative net contribution and we maintained a large long position 6.88 for a delta of 2.80.

Exploring further BNP Paribas, the return underperformed the benchmark. BNP Paribas was overweight and the impact on returns was negligible, with a negative net contribution and we maintained a large long position 6.75 for a delta of 2.67.

Exploring further Segro Group, the return underperformed the benchmark. Segro Group was overweight and the impact on returns was negligible, with a negative net contribution and we maintained a large short position 2.05 for a delta of -2.02.

Segro has raised £350 million in new equity to support its expansion strategy. The capital will be allocated to developing new logistics centers in high-demand European locations. This initiative aims to leverage the growing demand for distribution networks within the e-commerce and retail sectors. [4]

Activity

We added eight new holdings in June:

- UBS Group 5.9 % 2035, an A rated banks company with a duration of 7.39
- Annington Funding 2.308 % 2032, a BBB rated other financials company with a duration of 7.22
- Gaci First Investment 6.8 % 2039, an A rated government related company with a duration of 5.73
- Credit Agricole 6.375 % 2031, an A rated banks company with a duration of 4.99
- Tritax Big Box REIT 5.95 % 2032, a BBB rated other financials company with a duration of 6.42
- Wachovia 4.875 % 2035, a BBB rated banks company with a duration of 8.51
- BNP Paribas 2.75 % 2034, an A rated other financials company with a duration of 8.11
- Crédit Mutuel 5.75 % 2032, a BBB rated banks company with a duration of 5.40
- We exited our positions in:
- CYBG 3.125 % 2025, a BBB rated banks company with a duration of 0.04
- AA Bond 6.5 % 2031, a BBB rated collateralized company with a duration of 5.43
- Assura Fin 1.625 % 2033, an A rated other financials company with a duration of 7.98

These changes were made in view of better opportunities elsewhere.

Report Information

Report generated on: 2025-05-23 12:41

SSO ID: Mark Goodey

Market Analysis Word Count parameter control: 150 words

Issuer Word Count parameter controls: 70 words

Sources:

FinMason

KPMG UK Economic Overview (public)

Deloitte Global Economic Overview (public)

Summarization of words using LLM: Claude AI

News articles:

FT.com (public)

CNBC (public)

Reuters (public)

Bloomberg (public)

NASDAQ (public)

Components required:

AI infin8 proprietary techniques

Natural Language Processing NLP, Understanding NLU, Generation NLG, Machine Learning, Large Language Model(s), eXplainable AI Generation XAI, prompt engineering, Guardrails, platform, data

Appendix: Detailed Issuer Analysis

HSBC Holdings PLC

For Q3 2024, HSBC Holdings PLC reported a 10% increase in profit before tax to $8.5 billion, exceeding analyst expectations of $7.6 billion. Revenue rose by 5% year-on-year to $17 billion, supported by a 32% surge in the wealth management division and resilient performance in net interest income, which remained on track to achieve the full-year guidance of $43 billion. Operating expenses increased slightly, reflecting strategic investments and inflationary pressures, but the cost-to-income ratio improved due to higher revenues. Impairment charges were stable, highlighting strong asset quality and a benign credit environment. The CET1 ratio stood at a robust 14.5%, underscoring strong capital strength. HSBC reaffirmed its 2024 guidance, maintaining a mid-teens return on tangible equity target and emphasizing continued growth in strategic areas, including wealth management and sustainable finance.

[4]

BNP Paribas

In Q3 2024, BNP Paribas reported net income of €2.7 billion, in line with market expectations, achieving a return on tangible equity of 10.2%. Revenues increased by 4.3% year-on-year to €12.5 billion, supported by strong growth in the corporate and institutional banking division, particularly in fixed income, currencies, and commodities (FICC), which saw a 9% increase. Retail banking posted moderate growth with a 2% rise in net interest income, driven by higher deposit margins in Europe. Operating expenses rose slightly by 1.2% due to strategic investments in digital transformation and sustainability initiatives. Provisioning for credit losses remained stable at €837 million, reflecting the bank's strong risk management. BNP Paribas reaffirmed its FY24 targets, highlighting progress in expanding its wealth management business and its focus on green financing, where it remains a European leader. The CET1 ratio stood at 13.4%, demonstrating robust capital adequacy and a commitment to shareholder returns, including the continuation of its €2.5 billion share buyback program.

[4]

BMW Group

BMW's Q3 2024 results revealed mixed performance across its segments. The company's automotive division saw a 3% decline in sales volume, primarily due to weaker demand in China and a slowdown in the global economy. Pricing pressures and a 10% decline in sales of electric vehicles (EVs) also impacted the margin, which dropped to 7.2%, down from 9.4% in the same period last year. However, BMW's motorcycle division delivered strong growth, with an 8% increase in sales. The company maintained a solid liquidity position with net cash rising to €12.3 billion. Despite reaffirming its FY24 outlook, risks remain from supply chain disruptions and the evolving EV market landscape, especially as competition intensifies in key markets such as Europe and China.

[2]

UBS Group

UBS reported a strong Q3 2024 performance, with net income of $2.3 billion, a 16% increase compared to the previous year, exceeding market expectations. Revenue grew by 8% year-on-year to $9.1 billion, supported by solid growth in both Wealth Management and Investment Banking. Wealth Management achieved record inflows of $4.5 billion, driven by increasing demand for sustainable investment solutions and customized portfolio management. Investment Banking revenue rose by 7%, particularly driven by strong performances in equity capital markets and advisory services. UBS's Asset Management division also posted solid growth, with AUM increasing by 4%, reflecting strong client demand for alternative investments and ESG-related products.UBS's CET1 ratio improved to 14.2%, reinforcing the bank's solid capital position amid ongoing market uncertainties. The leverage ratio stood at 3.9%, comfortably exceeding regulatory requirements. Operating expenses increased by 3% to $5.1 billion, driven by investments in technology and digital transformation. Despite these positive results, UBS faces ongoing risks from a potentially slowing global economy, geopolitical tensions, and rising interest rates, which may impact wealth management revenues and investment banking activity.UBS remains committed to its strategic goals, including expanding its sustainable investment portfolio. The bank has set a target of reaching $250 billion in sustainable AUM by 2025 and aims to achieve net-zero emissions by 2050. UBS continues to prioritize enhancing its digital offerings to improve operational efficiency and client experience. The bank reaffirms its targets for 2024, expecting continued growth in Wealth Management, Investment Banking, and Asset Management, despite potential macroeconomic headwinds.

[4]

Segro Group

Segro's Q3 2024 results showed strong performance with a 6.1% increase in rental income year-to-date. The company maintains a high occupancy rate across its logistics and industrial properties. Segro's portfolio continues to benefit from demand in the logistics and e-commerce sectors, with a focus on locations near urban hubs. The company's active development pipeline includes projects in key areas, and Segro has committed £700 million towards expanding its portfolio, with 3.5 million square feet of space planned for delivery over the next three years. Segro reaffirmed its outlook for 2024, expecting stable to positive growth in rental income and further capital deployment in its expansion projects.

[4]

Disclaimer

IMPORTANT INFORMATION

The sentiment scores presented in this analysis were generated using Huggingface/FinBert, and the text summarization was performed by a large language model (LLM) utilizing specific prompt engineering techniques.

Please be aware that sentiment analysis involves inherent nuances; results may vary depending on the model, data, and specific parameters used. While Huggingface/FinBert is a robust model, it may not fully capture all language subtleties, especially in complex or domain-specific contexts.

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