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HMAM Credit Fund

I Acc GBP
Q1 2025



Market Outlook

The global economy is navigating significant transitions as it enters 2025. The re-election of Donald Trump in the US brings the potential for new fiscal stimulus, with the possibility of the Tax Cuts and Jobs Act being fully extended and further tax cuts and deregulation discussed. However, risks remain that ongoing large budget deficits and more stimuli could unsettle bond markets, or that tariffs damage consumer and business confidence. President Trump is expected to quickly impose 60% tariffs on Chinese imports, though a broader 10-20% tariff on imports from all other regions appears less likely and would face greater economic risks and congressional hurdles. Still, an "America First" policy stance will require responses from other regions, notably Europe and China. In Europe, policymakers will likely counter US hostility and a weaker growth outlook with greater fiscal and monetary stimulus. The European Central Bank is poised to cut rates further given lower inflation risk in the region. Political challenges in forming a new German government and crafting a French budget compliant with EU rules could slow but not derail stimulus efforts. China's economy continues to face headwinds from a troubled property sector weighing on household wealth and local government finances. Policymakers have signaled intent to stabilize growth with monetary easing and fiscal support, though measures to date have fallen short of tackling property and debt overhangs head-on. Earnings disappointments remain a key risk for richly-valued Chinese stocks. For equity investors, the evolution of the technology boom matters more than politics. The megacap tech stocks driving US indices look poised for further gains as AI adoption accelerates, but broadening performance across sectors and regions is likely as the technologies proliferate economy-wide. Cheaper valuations make a strong case for diversifying into non-US markets. Investors also need to rethink portfolio diversification for an environment of stickier inflation and fiscal largesse. Bonds remain essential for income and recession protection, but real assets and alternatives are needed as complements to navigate potential inflation shocks. Overall, nimble, well-diversified portfolios are crucial to push the boundaries of investing in an uncertain 2025.

Performance Overview

During the period, the portfolio exhibited an upward trend and fell short of the benchmark by 0.85%. The major drivers of returns were found in Technology, Communication Services and Aerospace/Defence sectors with no significant detractors.

Peer Group Analysis

The portfolio demonstrated exceptional performance throughout the observed period, ranking #3 within its peer group and placing in the 40th percentile against 6 comparable funds. This positioning reflects adequate risk-adjusted returns relative to peers.

Over the analysis period, the portfolio achieved a cumulative return of 12.31%, outperforming the peer group average by 4.93%. The risk-return analysis shows a Sharpe ratio of 0.63 (higher versus the peer average of 0.45), reflecting the portfolio's strong efficiency in delivering risk-adjusted returns.

The portfolio's beta of 0.65 indicates higher market sensitivity compared to peers (average 0.42), with positive alpha generation of 1.42%. This suggests effective portfolio management in the current market environment.

Sector Attribution

Technology, Communication Services and Aerospace/Defense were positive:

- The top contributors in Technology included underweights in NVIDIA, Meta, Google.
- The top contributors in Communication Services included overweights in T-Mobile, Verizon, Disney.
- The top contributors in Aerospace/Defense included overweights in Raytheon, Honeywell, Lockheed Martin.

Outliers & Inflection Point Analysis

The analysis identified 3-4 distinct market regimes using Bayesian and Bai-Perron change point detection methods, with April 2025 emerging as the most significant negative change point (-4.90% return) across both methods due to Trump's protectionist policies.

During market downturns, defensive sectors like Aerospace/Defense and Property demonstrated relative strength, while Technology showed high volatility between leadership and laggard positions.

Communication Services emerged as the primary outlier (z-score: 1.96, anomaly score: 4.97), driven by exceptional performance from AT&T (65.20% return) and T-Mobile (61.97% return).

The analysis revealed clear sector rotation between regimes with notable company-specific outperformance during transitions (Boeing, NVIDIA, Meta) and significant variance within sectors, suggesting tactical portfolio adjustments like increasing defensive allocations during the April 2025 downturn and prioritizing companies with pricing power during the December 2024 decline.

RECENT MARKET ALERTS (APRIL and MAY 2025)

California Wildfires — Implications for Municipal Bonds and Select Equities (April 1, 2025)

The intensifying wildfires across California present a material risk to regional infrastructure and public finances. Approximately \$70 billion in municipal debt is exposed to the affected areas. While your municipal bond ETF holdings—specifically **MUB** and **VTEB**—are largely diversified and backed by broad-based revenue sources, investors should remain attentive to smaller issuers with concentrated geographic exposure, as these may experience funding pressures or credit deterioration.

Beyond fixed income, potential secondary impacts may emerge across the property and consumer cyclical sectors. Real estate investment trusts such as **AMT**, **PLD**, and **SPG** could face valuation pressures or operational disruptions due to fire-related damages. Similarly, consumer-focused equities like **GM** and **Ford** may see softer demand in impacted regions or supply chain interruptions if local distribution hubs are affected.

Southern Europe Power Outage — Sector Sensitivities Across Communications, Industrials, and Credit (April 28, 2025)

The large-scale blackout on April 28, 2025, spanning Spain, Portugal, and southern France, is among Europe's most severe infrastructure failures in recent memory. The incident disrupted key services for up to 23 hours and has underscored structural vulnerabilities in power grids with high renewable penetration.

Within your portfolio, companies in the communication services sector—including **AT&T**, **Verizon**, **Disney**, **T-Mobile**, and **Comcast**—may face reputational or operational risks if regional service continuity was impacted or resilience is called into question.

Industrials such as **Caterpillar**, **Deere**, **Boeing**, **3M**, and **UPS** may also be exposed, particularly if European logistics, manufacturing inputs, or downstream partners were affected.

On the credit side, select corporate bond exposures (**LQD**, **HYG**, **VCIT**, **VCLT**) could experience modest repricing if power-dependent issuers in southern Europe face extended operational or financial strain.

New Jersey Wildfire — Pine Barrens Blaze Disrupts Regional Air Quality (May 1, 2025)

A significant wildfire, known as the Jones Road Wildfire, is currently affecting the Pine Barrens region in Ocean County, New Jersey. The fire has burned approximately 15,250 acres and is 75% contained. While no injuries have been reported, several structures and vehicles have been destroyed. Authorities have charged a 19-year-old man with arson in connection to the blaze. The Pine Barrens' sandy soil and strong winds have exacerbated the fire's spread, and smoke is expected to linger until substantial rainfall occurs.

For real-time updates and tracking, residents can refer to the [New Jersey Wildfire Map](#) and the [AirNow Fire and Smoke Map](#).

Market Alert — Trump Tariffs Trigger Global Trade Tensions (May 2, 2025)

President Donald Trump has enacted sweeping tariffs, including a 25% levy on all imported steel and aluminum, and a 145% tariff on Chinese goods. These measures have led to immediate retaliatory actions from the European Union and Canada, who have imposed counter-tariffs totaling €26 billion and \$20.7 billion respectively. The tariffs are causing widespread economic disruption, with businesses facing increased costs and supply chain challenges. Economists warn of potential job losses and a slowdown in investment due to the heightened trade tensions.

Industries such as automotive and manufacturing are particularly affected, with companies like GM withdrawing their 2025 guidance amidst the uncertainty. The oil sector also reports rising costs due to the increased price of steel, essential for infrastructure. While some view the tariffs as a protective measure for domestic industries, critics argue they may lead to higher consumer prices and economic instability.

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