Monthly Strategy Review | December 2021

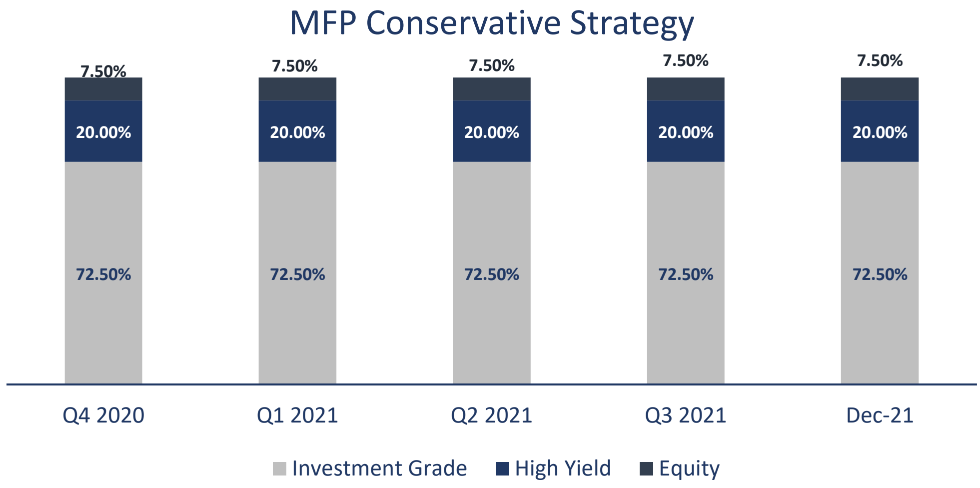
New frontier investing with a global exposure for strategy portfolios

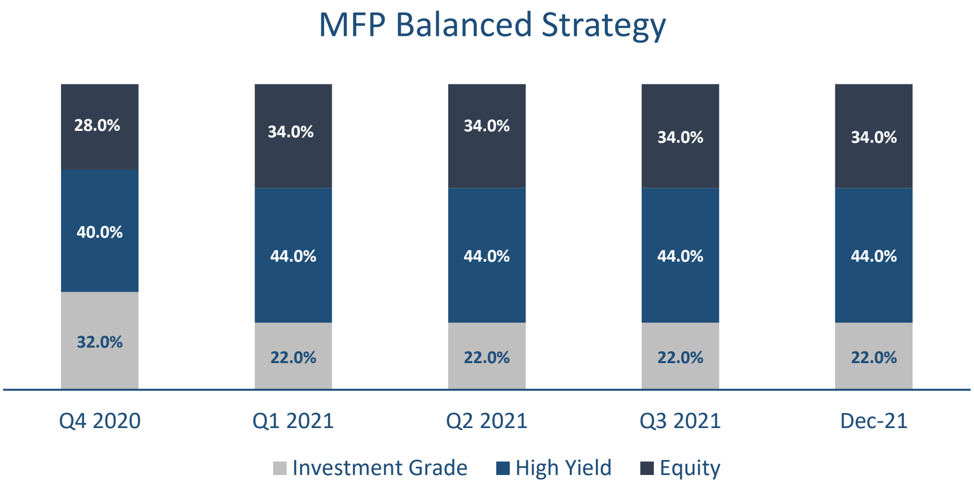
The strategy portfolios are based on the premise that the investment process is not restricted by a particular region, such Europe, but is multi-regional. The reason for this reality stems from the fact that investment opportunities exist in various regions around the globe which we deem beneficial for investors. Specifically, Europe's economic structure remained relatively entrenched in industries that have been historically resistant to change, such as the Banking, Insurance and Oil & Gas industries. In recent economic history, Europe lost most of its competitive edge globally due to various factors. Chiefly amongst them relate to over-regulation (leading to under investment in certain sectors in the economy), demographic challenges (ageing population) and lack of political unity to address impending issues. On the other hand, the US and Asian countries have managed to outperform Europe significantly on multiple fronts. Specifically, these countries adopted value-creating structural policies that outstripped Europe's lack of initiative on a global scale. This meant that business models outside Europe provided a vibrant prospect for investors that attracted capital. The swing in capital over the years in favour of non-European companies meant that research and development was boosted for these companies leading to a comparative advantage for the countries that host these global companies. Keeping in mind all this, all strategy portfolios seek to broaden their investment horizon by investing in third party funds that have their primary objective in order to identify opportunities from all regions around the globe.

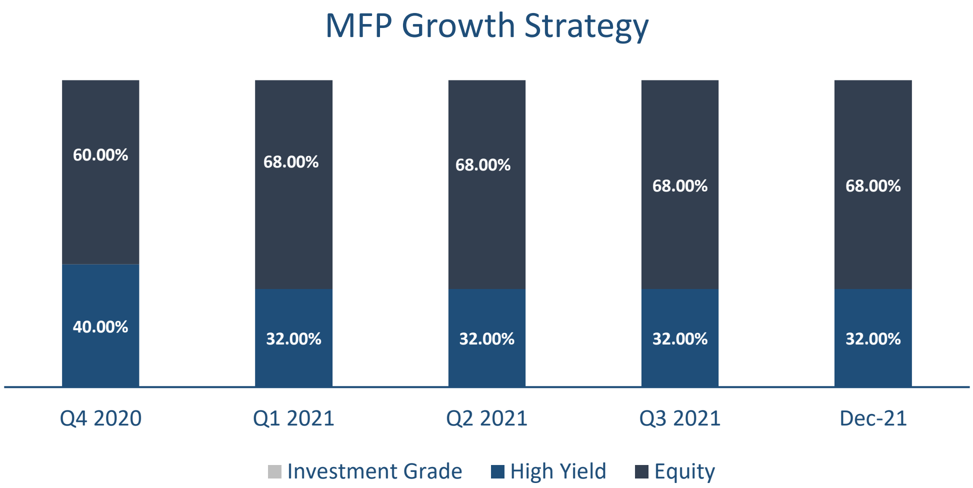
Equity markets perform strongly for December which caps yet another strong equity market for 2021

European equities burst into life in the final month of the year outperforming the US by over one percent, with a softer positive performance for European high yield. European investment grade debt maintained its yearly negative tone for the month of December. Mid-September was the point upon which European high yield debt weakened significantly which saw a reversal in yields from c. 2.20% to a high of c. 3.15% at the beginning of December. This was due to a mix of; 1) higher yields due to hawkish expectations given the global economic momentum, and, 2) wider credit spreads due to the concerns emanating from emerging covid-19 variants. A reversal in yields was in play during December in which European high yield performed positively with the lowest end of the credit spectrum outperforming again for the month. This risk-reversal put pressure on Investment grade debt which sold off significantly during the month with longer dated debt experiencing the brunt of the pressure. Delving into the yearly numbers, the clear winners for 2021 were equities as an asset class following the continued support by economic policies and the ultra-low interest rate environment throughout the globe. During the year, cyclical industries performed strongly led by Banks, Technology and Discretionary businesses. The only European industry which performed negatively for the year was the Travel & Leisure industry as uncertainty remained ripe on how economies will re-open and the timeline upon which people which regain their full normality. Complications on variant risks remain on top of the list for the travel industry. In the European credit space, the stellar performers were in the CCC bucket with a yearly performance in excess of ten percentage points with the highest end of the credit spectrum BB returning just c. two percent total return for 2021. This correlates to the strong performance observed in the equity space for the year. Emerging high yield credit was the disappointment for the year as losses ensued for the space during 2021. This was due to factors relating to the under-vaccination rate and higher interest rates in developed markets which fuelled a strong dollar.

Asset allocation changes over recent quarters for each MFP strategy

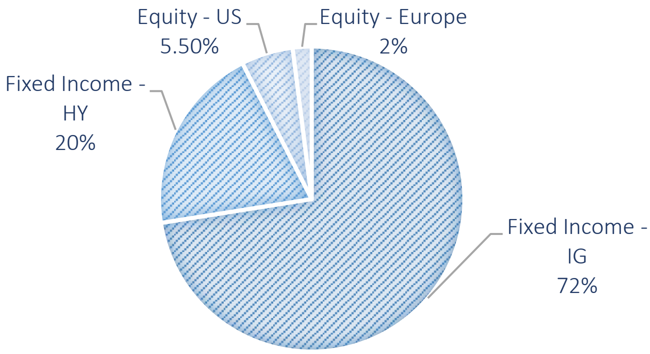






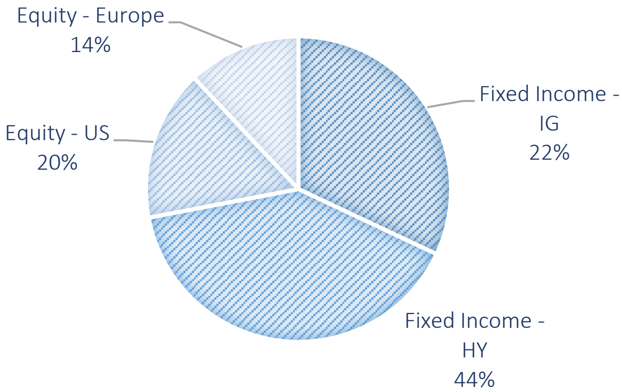
Strategy Snapshot

Asset Allocation | Conservative Strategy



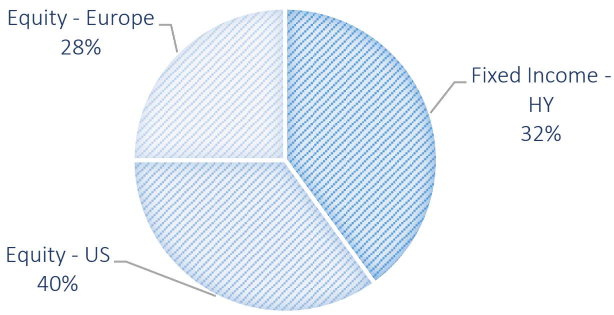
Current Distribution Yield: 1.48%*
Fixed Income Duration: 5.37*

Asset Allocation | Balanced Strategy



Current Distribution Yield: 2.23%*
Fixed Income Duration: 4.02*

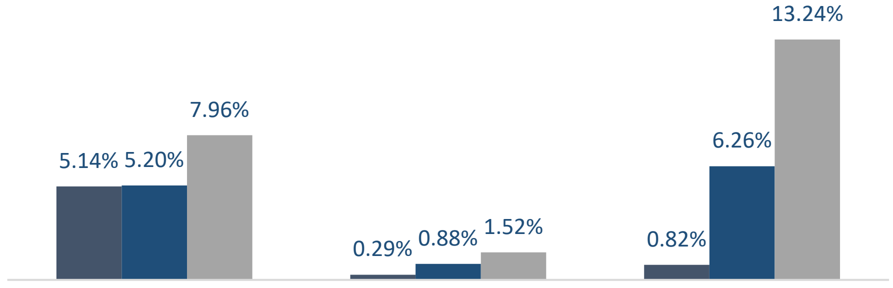
Asset Allocation | Growth Strategy



Fixed Income Duration: 2.77*

** All figures quoted are as at 31st December 2021*

Performance Snapshot



	2020	Dec-21	YTD
Conservative Strategy	5.14%	0.29%	0.82%
Balanced Strategy	5.20%	0.88%	6.26%
Growth Strategy	7.96%	1.52%	13.24%

Disclaimer

The Managed Fund Portfolio is a discretionary portfolio management service provided by Calamatta Cuschieri Investment Services Limited ("CCIS"). CCIS delegated the investment management of discretionary portfolio management to Calamatta Cuschieri Investment Management Ltd ("CCIM"). The performance figures quoted refer to the past and past performance is not a guarantee of future performance nor a reliable guide to future performance. The value of the investment may go down as well as up and currency fluctuations of the underlying funds may affect the value of the investment. An initial charge applies at the time of placing the investment and the management fee that applies has an impact on the investment return.

This document is prepared by CCIM for information purposes only and does not substitute the reporting obligations by CCIS, but is an illustrative brief of the discretionary portfolio under management. This document may not be reproduced either in whole, or in part, without the written permission of CCIM. CCIM does not accept liability for any actions, proceedings, costs, demands, expenses, loss or damage arising from the use of all or part of this document. Approved and issued by Calamatta Cuschieri Investment Management Limited, Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034. CCIM and CCIS are licensed to conduct Investment Services in Malta by the Malta Financial Services Authority under the Investment Services Act.