



## Monthly Factsheet - December 2024

### Fund Overview

The Atlantic House Dynamic Duration Fund aims to deliver capital growth over the medium to long term through a systematic and signal-based investment strategy, that is designed to outperform in a wider range of inflation environments than a conventional bond fund.

### Key Facts

<b>Launch Date</b>	8 August 2023
<b>Fund Size</b>	£43.15m
<b>NAV</b>	1.0224 *(A Acc GBP Share Class)
<b>OCF</b>	0.40% (Capped)
<b>Managers</b>	Mark Greenwood, FIA Jack Roberts, CFA
<b>Domicile</b>	Dublin, Ireland
<b>Fund Type</b>	UCITS
<b>Dealing</b>	Daily
<b>Currency</b>	GBP
<b>Available Share Classes</b>	<b>A Acc GBP</b> ISIN: IE00BMY8S439 Sedol: BMY8S43 Bloomberg: AHUEEAG
	<b>A Acc (Hedged) EUR</b> ISIN: IE000YFXJA12 Sedol: BQS7T85 Bloomberg: AHDDEUA
	<b>A Acc (Hedged) USD</b> ISIN: IE00BVXVS028, Sedol: BVXVS02, Bloomberg: AHFMUSI
	<b>D Dis GBP</b> ISIN: IE00BMY8S546 Sedol: BMY8S54 Bloomberg: AHUEEAA
<b>Distribution &amp; Target Market Strategy</b>	The fund is aimed at advised & discretionary market investors over the long term who have the capacity to tolerate a loss of the entire capital invested or the initial amount.

### Monthly commentary

The Dynamic Duration Fund was down 1.92% in December, as follows:

Interest rate swaps UK	-0.86%
Interest rate swaps US	-1.14%
Inflation swaps UK	-0.07%
Inflation swaps US	-0.03%
Cash base	+0.18%
<b>Total return</b>	<b>-1.92%</b>

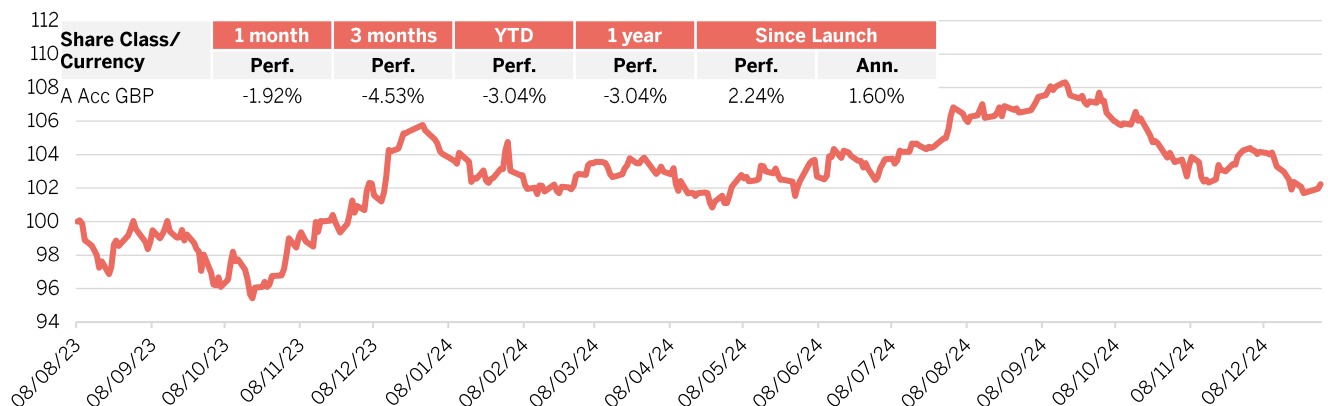
The Dynamic Duration fund lost 192 basis points in December amid weakness in global fixed income markets. This was the first month since October 2023 when the inflation swaps sleeves did not provide a diversification gain to losses on the interest rate swaps sleeves.

US inflation data saw core inflation print 3.3% for the third month in a row, although core services has been edging down. At its December meeting the Fed opted to cut rates by 0.25%, but with a hawkish twist – a dissenting vote for the first time since 2022. New voting member Hammack cited sticky inflation as a reason not to cut rates. US inflation-linked bond supply saw poor demand, weighing on the fund's inflation swaps positions. At 2.46%, 10-year inflation swaps are at 52<sup>nd</sup> percentile since 2004, despite an uncertain inflation outlook as a new US administration takes office.

The Bank of England voted 6-3 to leave rates unchanged in December, with the three dissenters voting for a rate cut. UK inflation data this month showed core inflation increasing from 3.3% to 3.5%. The real rate on the UK 10-year index-linked gilt moved up to 1.15% from 0.92% last month. This moved the real rate signal up a gear to 2 (out of 2) and increased fixed income exposure. The combined UK signal is now the same as the combined US signal at 3/6. In the near term, any further changes to the UK and US signals are likely to be driven by the UK real rates signal given its volatility and proximity to the 1% real rate threshold below which UK fixed income exposure is reduced.

As noted in our [annual review](#), we have refined the inflation trend signal to reduce the risk of "whipsaws", where short-term noise triggers false signals. From 2025, we will incorporate a 3-month average for this signal input data. This change would not have had an any effect in December.

### Cumulative Performance and Performance Since Launch



### 3 key signals

#### 1. Inflation Trend

Change over 6-months in headline inflation year-on-year rate

#### 2. Inflation versus Rates

Market real yield on the current 10-year inflation-linked bond

#### 3. Inflation target

Core inflation year-on-year rate minus official core inflation target rate

**Past performance does not predict future returns.**



## Current signals and last change

Each of the 3 signals has a potential value of 0, 1, or 2 for a combined signal value out of 6. The higher the combined signal, the higher the strategy's positioning towards rates and lower to inflation, and vice versa. This table shows the current signals for both the UK and US based on the latest monthly data available. Also shown is the date at which the last signal change took place.

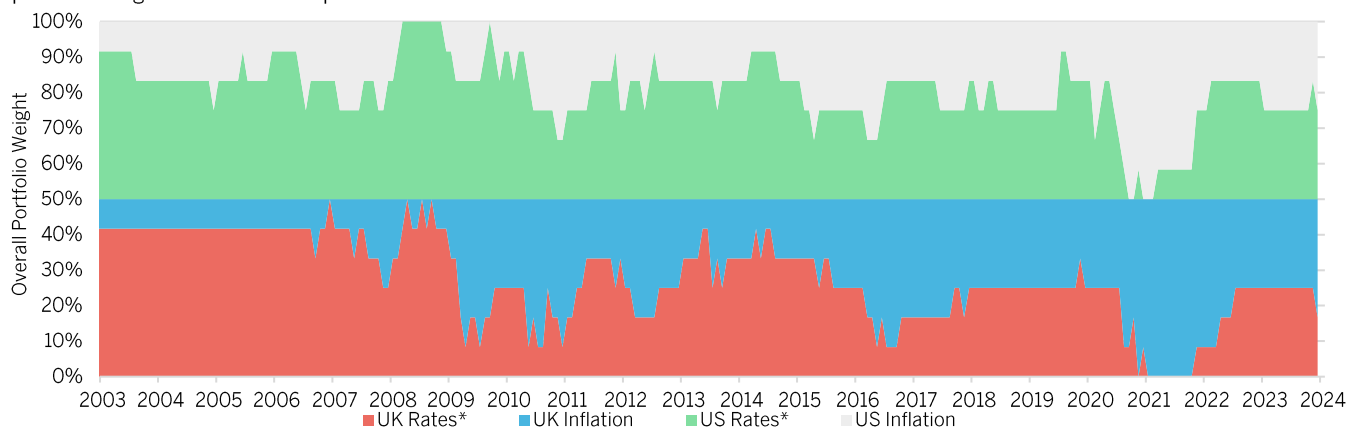
United Kingdom (UK)		Market data			Signal output				Portfolio Weight %		Portfolio Duration	
		Signal 1	Signal 2	Signal 3	Signal 1	Signal 2	Signal 3	Combined				
Date	Month	3m ave of 6m CPI change	Real yield 10y inflation linked bonds	UK core CPI (BoE target: 2%)	Inflation Trend	Inflation versus Rates	Inflation Target	Signal	Rates	Inflation	Rates	Inflation
Current CPI data	Nov 2024	0.0%	-0.3%	3.5%	1	2	0	3/6	100%	50%	8.1	4.5
Last Signal change	Nov 2024	0.0%	-0.3%	3.5%	1	1→2	0	2/6 → 3/6	100%	50%	8.1	4.5

United States (US)		Market data			Signal output				Portfolio Weight %		Portfolio Duration	
		Signal 1	Signal 2	Signal 3	Signal 1	Signal 2	Signal 3	Combined				
Date	Month	3m ave of 6m CPI change	Real yield 10y inflation linked bonds	US Core CPI (Fed target: 2%)	Inflation Trend	Inflation versus Rates	Inflation Target	Signal	Rates	Inflation	Rates	Inflation
Current CPI data	Nov 2024	-0.8%	1.89%	3.3%	1	2	0	3/6	100%	50%	8.0	4.0
Last Signal change	Oct 2024	-0.8%	2.11%	3.3%	2 → 1	2	0	4/6 → 3/6	100%	50%	8.2	4.2

## Signal evolution: portfolio weightings

The signals drive the risk weighting of the portfolio between 'rates' (interest rate swaps) and 'inflation' (inflation swaps), across both the UK and US markets equally. For each of the UK and US portfolios, a signal of 0/6 indicates 100% investment in inflation, while a signal of 6/6 indicates 100% investment in rates. The evolution of the rules-based signals over time allows us to plot the evolution of the resulting portfolio weightings over the same period.



The fund uses leverage to gain twice the exposure to Rates via interest rate swaps; the fund's notional exposure to rates is double that shown. The fund is approximately ½ invested in rates exposure over the backtest life. For the fund to have a similar exposure and similar volatility, on average, to its internal benchmark of passive 10yr UK and US government bond exposure, equally weighted, twice leverage in rates exposure is required.

## Three scenarios based on the fund's current sensitivities to interest rates and inflation

Recessionary shock <b>Rates down 3%</b> <b>Expected inflation down 1%</b>	Wage price growth cools <b>Rates down 1%</b> <b>Expected inflation down 1%</b>	Inflationary shock <b>Rates up 1%</b> <b>Expected inflation up 2%</b>
Passive bond fund: +26.1% Active bond fund: <i>uncertain</i> Dynamic Duration: +21.7%	Passive bond Fund: +8.3% Active bond fund: <i>uncertain</i> Dynamic Duration: +4.1%	Passive bond Fund: -7.9% Active bond fund: <i>uncertain</i> Dynamic Duration: +1.5%



## Key Risks

**The price of shares and income from them can go down as well as up and past performance is not a guide to future performance. Investors may not get back the full amount originally invested. The level and basis of tax is subject to change and will depend on individual circumstances. There is no guarantee that the fund will achieve its objective.**

A comprehensive list of risk factors is detailed in the Risk Factors Section of the Prospectus and the Supplement of the fund and in the relevant key investor information document (KIID). A copy of the English version of the Supplement, the Prospectus, and any other offering document and the KIID can be viewed at [www.atlantichousegroup.com](http://www.atlantichousegroup.com) and [www.gemincapital.ie](http://www.gemincapital.ie). A summary of investor rights associated with an investment in the fund is available in English at [www.gemincapital.ie](http://www.gemincapital.ie).

The fund is entitled to use derivative instruments for investment purposes and for efficient portfolio management and/ or to protect against exchange risks. Derivatives may not achieve their intended purpose. Their prices may move up or down significantly over relatively short periods of time which may result in losses greater than the amount paid. This could adversely impact the value of the fund. The fund may enter into various financial contracts (derivatives) with another party. Where the fund uses futures or forward foreign currency contracts (derivatives), it may become exposed to certain investment risks including leverage, market, mismatching of exposure and/or counterparty risk, liquidity, interest rate, credit and management risks and the risk of improper valuation. Any movement in the price of these investments can have a significant impact on the value of the fund and the fund could lose more than the amount invested.

## Important Information

Source for all data is Atlantic House Investments as of 31 December 2024 unless stated otherwise.

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The fund invests in government bonds. All bonds will be investment grade (i.e. at or above S&P rating BBB- or deemed equivalent). If any of the bonds the fund owns suffer credit events the performance of the fund could be adversely affected

In certain market conditions some assets in the fund may become less liquid than at other times so selling at their true value and in a timely manner could become more difficult. Other risks the fund is exposed to include but are not limited to are possible changes in interest rates, changing expectations of future market volatility. Future legal or regulatory change could have a significant effect on the fund.

The Atlantic House Dynamic Duration Fund is a sub-fund of GemCap Investment Funds (Ireland) plc, an umbrella type open-ended investment company with variable capital, incorporated on 1 June 2010 with limited liability under the laws of Ireland with segregated liability between sub-funds.

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