

GENERALI INVESTMENTS SICAV

EURO EQUITY - BX

28 February 2022



Marketing communication for Professional investors

KEY DATA

MANAGEMENT COMPANY	Generali Investments Luxembourg S.A.
INVESTMENT MANAGER	Generali Investments Partners S.p.A Società di gestione del risparmio
FUND MANAGER	Vincent CHAMPION - Alexis ANDRIEU
BENCHMARK	100% EURO STOXX (NR)
FUND TYPE	Sicav
DOMICILE	Luxembourg
SUB-FUND LAUNCH DATE	23/01/2014
SHARE CLASS LAUNCH DATE	23/01/2014
FIRST NAV DATE AFTER DORMANT PERIOD	No dormant period
CURRENCY	Euro
CUSTODIAN BANK	BNP Paribas Securities Services Luxembourg
ISIN	LU0997479190
BLOOMBERG CODE	GSEEBAC LX

VALUATION

AUM	51.22 M EUR
NAV PER SHARE	128.36 EUR
HIGHEST NAV OVER THE LAST 12 MONTHS	143.01 EUR
LOWEST NAV OVER THE LAST 12 MONTHS	119.81 EUR

FEES

SUBSCRIPTION FEE	max. 5%
MANAGEMENT FEE	0.75%
CONVERSION FEE	max. 5%
REDEMPTION FEE	max. 1%
PERFORMANCE FEE	n.a.
ONGOING CHARGES	0.87%

CATEGORY AND RISK PROFILE

CATEGORY	Equity
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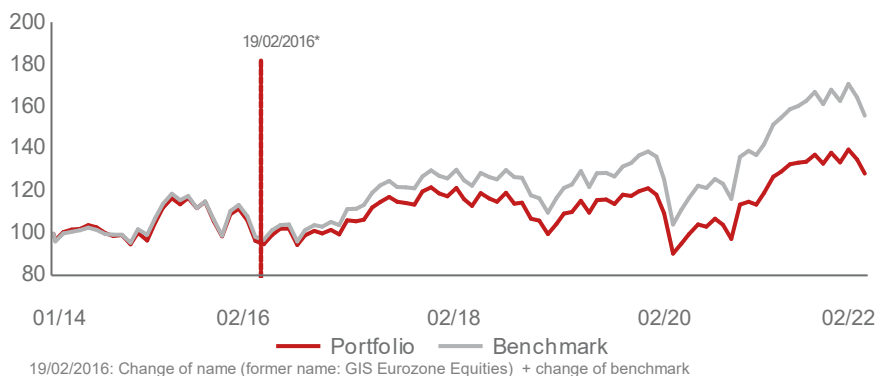
1	2	3	4	5	6	7
Lower risk					Higher risk	
Potentially lower rewards					Potentially higher rewards	

The risk and reward category shown is not guaranteed to remain unchanged and the categorisation of the sub fund may shift over time. For more information about risk, please see the KIID and Prospectus.

INVESTMENT OBJECTIVE AND POLICY

The objective of the Fund is to provide a long-term capital appreciation and to outperform its Benchmark, investing in equities of companies, listed on stock exchanges of any participating member state of the Eurozone (qualifying as Regulated Markets). A dynamic management approach will give priority to a long-term outperformance towards the Fund's benchmark rather than to managing the deviation towards the benchmark. The Fund shall invest at least 75% of its net assets in Eurozone equities it also invest on an ancillary basis in equity-linked securities such as, but not limited to, debt securities convertible into common shares, preference shares and warrants on transferable securities of European issuers. The Fund may use financial instruments and derivatives for hedging purposes, for efficient portfolio management purposes and for investment purposes.

PERFORMANCE ANALYSIS AT 28 FEBRUARY 2022



	1M	YTD	1YR	3YR	5YR	3YR P.A.	5YR P.A.
Portfolio	-4.98	-8.18	7.69	17.13	20.31	5.41	3.77
Benchmark	-5.18	-8.73	9.57	28.04	37.19	8.58	6.52
Excess return	0.20	0.55	-1.88	-10.90	-16.88	-3.17	-2.76

	SI	SI P.A.	2021	2020	2019	2018	2017
Portfolio	28.36	3.13	21.36	-5.18	21.70	-15.17	10.53
Benchmark	55.80	5.62	22.67	0.25	26.11	-12.72	12.88
Excess return	-27.45	-2.50	-1.31	-5.43	-4.41	-2.45	-2.35

	02/22-02/21	02/21-02/20	02/20-02/19	02/19-02/18	02/18-02/17
Portfolio	7.69	8.60	0.16	-5.79	9.02
Benchmark	9.57	13.13	3.29	-2.88	10.32
Excess return	-1.88	-4.53	-3.13	-2.91	-1.30

KEY FEATURES

- Large cap Euro Zone equity fund
- Flexible and actively managed
- Diversified, long-term oriented portfolio
- Added value results from sector allocation as well as high conviction stock-picking
- Thematics are played across sectors

Past performance is not a guide to future performance and may be misleading. The performances are shown net of fees and expenses over the relevant period. All performance figures reflect the reinvestment of dividends and do not take into account the commissions and costs incurred on the issue and redemption of shares/parts. Please see the important information at the end of this document. Investing in the fund/sub-fund involves risks including the possible loss of capital. Please read the KIIDs and the prospectus to find out about these risks. Legal information concerning the fund/sub-fund are available on the website: www.generali-investment.com
The benchmark was changed from Price Index to Net Total Return Index in February 2016.

FUND MANAGER'S COMMENTS

Market View

In February, the world has been shocked by Russia's invasion of Ukraine. Markets reacted violently to the incursion: the ruble and Russian equities plummeted on news of the aggression, and risk premia and energy prices soared on fears of new supply disruption threatening both the energy complex and the global recovery. As military operations intensify, diplomacy is struggling to retake control. To deescalate, President Putin is asking for the demilitarization of Ukraine, a permanent commitment of the country to neutrality (i.e. no joining of NATO) and the recognition of Russian sovereignty over Crimea. This is, however, a non-starter for Ukraine and Western allies, who imposed unprecedented sanctions on Russia.

In the US, the small reliance on energy import and limited trade as well as financial links with Russia reduce the direct impact from the war in Ukraine. The main threat is that the surge in commodity prices adds to the unabated domestic inflationary pressures. Therefore, despite some tentative signs that supply bottlenecks are easing, we expect CPI inflation to stay above 7% yoy for the next couple of months at least. High prices (especially for fuels and commodity, but recently also food) are heavily affecting consumer confidence, which has dropped to an 8-year low in February. That said, labor market fundamentals remain supportive to domestic demand, as well as the decline in Covid cases. Geopolitics should not derail the Fed's monetary normalization path, with the first rate hike expected in March. The process may be paused or delayed only if an escalation triggers a global recession or threatens financial conditions.

In the euro area, the Russian invasion of Ukraine deteriorated the outlook. The direct trade link is relatively small but soaring energy prices will significantly lift inflation and dent purchasing power. Bottlenecks in certain industrial sectors are likely. That said, as Covid-19 measures have been relaxed during the month, the composite PMI rose to 55.8, the strongest reading since September. The labor market is in good shape, households still have huge pandemic-related excess savings they can deploy, and the further unwinding of stringency measures will also support activity. Inflation reached a new high in February, at 5.8%, and is likely to persist at high level. Yet, headwinds to activity, deteriorating financing conditions and huge uncertainties will likely make the Governing Council less decisive on the future policy path. Fiscal spending is also set to increase marginally versus previous estimates.

In the past month, 10-year Bund yields rose by 15 bps and 10-year US yields by 6 bps. The upward movement in yields has been more pronounced in peripherals countries. The Italian spread increased by 25 bps and the Spanish one by 26 bps. Both the European Investment Grade (IG) credit spread and the High Yield (HY) one widened by 41 and 78 bps, respectively. In the US movements were more contained: the IG spread increased by 20 bps and the HY one by 14 bps. As the Ukraine crisis turned to the worse, equity market had another negative month. The MSCI World was down by 2.5%, the S&P500 by 3.0% and the Euro Stoxx 50 by 5.9%. Currently, earnings and margins remain safe, but risks are tilted to the downside given the chance to see lower GDP growth ahead, triggered by even higher energy prices and inflation hurting sentiment.

Portfolio Activity

In February, the Fund suffered a 167-bps loss as a result of the ongoing drop in equities, which affected also alternative funds, and the losses on Central & Eastern European bonds and FX, hit by the escalation of the Ukrainian crisis.

The portfolio kept a net long exposure of 5.4%, favoring a barbell strategy on Quality and Value, plus an ETF on Global Infrastructure. Quality recovered the initial underperformance, while the opposite occurred for Value following the Russian invasion. The ETF on infrastructure was only marginally negative, helped also by the US dollar exposure. The relative trade Banks vs Stoxx 50 performed poorly, more than reversing year-to-date gains, while the Travel & Leisure vs Stoxx 50 was marginally up. Given the unpredictability of the conflict over Ukraine, we preferred to unwind the short call positions on VIX.

In the fixed income part, we maintained a limited exposure to developed government bonds, mostly in Italian inflation linkers (BTP Italia). We increased the exposure to EM bonds (19.0% of NAV) by creating new positions in Hungarian (2.7%) and Polish local-currency bonds (1.6%). We maintained the position in Chinese bonds (3.8%). The hard-currency part sums to 10.9%, with a large exposure to Romania EUR-denominated bonds (3.7%). On the corporate bond side (20.8% of NAV), we maintained a high degree of diversification outside EUR bonds, with 36% of the overall duration exposure in bonds denominated in AUD, GBP, USD and ZAR (all currency hedged).

On the derivative side, in the first part of the month we took profit on the crash structure (long US and UK bonds vs Italian and German ones) and successfully played a tactical re-steepening of the German curve (5-30 and 10-30 years). At the end of the month, we opened a long position in 30-year US Treasury and short 2-year BTPs as yield approached the zero line again. We kept the relative trade with long protection on US HY vs short protection on EM sovereign risk.

The duration of the portfolio was increased a bit further to 1.81 years from 1.14 years before. Overall, we kept a long duration exposure to corporate bonds (+0.76 years) and EM bonds (+1.01 years, of which +0.12 years in USD-denominated bonds, +0.53 years in EUR-denominated ones, +0.36 years in local-currency bonds) and US Treasuries (+0.48) and a short one to German Bunds (-0.38) and Italian BTPs (-0.39). On the FX side, we are long CNY (3.8%), HUF (2.7%), CZK (1.3%), PLN (1.6%) and BRL (1.4%), short EUR (-6.0%), TWD (-3.5%) and USD (-1.6%). We also opened a relative trade long JPY (3.3%) and short AUD (-3.1%).

Outlook

The breakout of the conflict between Russia and Ukraine adds to the uncertainty in financial markets. For risky assets, the main question is about the growth impact, which is likely to come also due to skyrocketing energy and commodity prices. On the other hand, markets have materially repriced the rate hike path for central banks, in particular for the ECB, with the pricing of rate hikes by end-2022 having faded. The equilibrium looks particularly precarious. The Ukrainian crisis has significantly increased the risk of stagflation, so it will be difficult for central banks to ignore inflation for longer, but the downside risks posed by the conflict can also favor a less hawkish stance than just a few weeks ago.

In this context, it is important to rethink the duration strategy, balancing the downside risks in rates in case of an escalation of the conflict and the scenario of a rebound in yields in case of a de-escalation. US Treasuries can likely offer a better protection in relative terms, while the sharp drop in European short-dated yields suggests a more cautious stance there. Wider spreads in IG credit (already close to 2016 and 2018 peaks) suggests there is some value there (duration hedged) than in High Yield, whose spreads have widened but remain far from previous crisis peaks. In equities, a cautious stance is recommended as uncertainties remain elevated. Option strategies on EU banks can be considered to play a de-escalation of the conflict.

HOLDINGS & TRANSACTIONS

TOP 10 EQUITY

HOLDING	SECTOR	GROSS %
ASML HOLDING NV (ASML NA)	Information Technology	4.33%
ALLIANZ SE-REG (ALV GY)	Financials	3.42%
THALES SA (HO FP)	Industrials	3.29%
LVMH MOET HENNESSY LOUIS VUI (MC)	Consumer Discretionary	3.01%
AIR LIQUIDE SA (AI FP)	Materials	2.82%
TOTALENERGIES SE (TTE FP)	Energy	2.79%
INTESA SANPAOLO (ISP IM)	Financials	2.59%
ENI SPA (ENI IM)	Energy	2.53%
SIEMENS AG-REG (SIE GY)	Industrials	2.48%
DEUTSCHE TELEKOM AG-REG (DTE GY)	Communication Services	2.30%
Total Top 10 (%)		29.54%
Total Top 20 (%)		48.02%

TOP 3 SALES OVER THE LAST MONTH

BNP PARIBAS (BNP FP)
ENGIE (ENGI FP)
INTESA SANPAOLO (ISP IM)

TOP 3 PURCHASES OVER THE LAST MONTH

COMMERZBANK AG (CBK GY)
ATOS SE (ATO FP)
TOTALENERGIES SE (TTE FP)

RATIOS

PERFORMANCE AND RISK ANALYSIS - SYNTHESIS

	1YR	3YR	5YR	SI
Standard Deviation Ptf	11.30	22.52	19.09	19.27
Standard Deviation Bmk	11.51	22.79	19.29	19.25
Tracking Error	2.24	2.33	2.23	2.39
Alpha	-0.02	-0.05	-0.05	-0.04
Beta	0.96	0.98	0.98	0.99
R-squared	0.96	0.99	0.99	0.99
Information Ratio	-0.78	-1.29	-1.22	-1.03
Sharpe Ratio	0.78	0.26	0.22	0.22
Treynor Ratio	9.53	5.57	2.40	1.90
Sortino Ratio	1.28	0.36	0.30	0.33

NUMBER OF STOCKS

	FUND	BENCHMARK
Number of Positions (ex derivatives)	73	287
Out of Benchmark positions	4	-
Active Share	49.97	-
Number of derivative positions	-	-
Total number of positions	73	287

DRAWDOWN

	SINCE INCEPTION
Maximum drawdown (%)	-33.0
Peak to trough drawdown (dates)	Feb 20 - Mar 20
Length (in days)	35
Recovery Period (in days)	371
Worst Month	March 2020
Lowest Return	-17.4
Best Month	November 2020
Highest Return	16.6

FINANCIAL RATIO - EQUITY

	FUND	BENCHMARK
Average Market Cap (in M€)	50,438	24,873
Median Market Cap (in M€)	34,766	12,885

BREAKDOWNS

■ Fund ■ Benchmark ■ Relative

COUNTRY	NET	RELATIVE
France	47.6% 31.4%	16.1%
Germany	19.1% 24.3%	-5.2%
Netherlands	13.5% 17.2%	-3.7%
Italy	6.7% 5.9%	0.7%
Spain	3.1% 7.2%	-4.2%
Belgium	2.2% 2.9%	-0.7%
Ireland	1.5% 4.9%	-3.4%
Others	1.1% 6.2%	-5.0%
Cash	5.3%	

SECTOR	NET	RELATIVE
Industrials	21.0% 15.1%	5.9%
Financials	14.4% 15.7%	-1.3%
Consumer Discretionary	12.6% 16.2%	-3.6%
Information Technology	12.5% 13.1%	-0.6%
Communication Services	7.2% 4.5%	2.6%
Consumer Staples	7.2% 6.9%	0.3%
Materials	6.7% 9.4%	-2.7%
Others	13.1% 19.0%	-5.9%
Cash	5.3%	

CURRENCY	NET	RELATIVE
EUR	99.9% 100.0%	-0.1%
USD	0.1%	0.1%
GBP	0.0%	0.0%

MARKET CAP	NET	RELATIVE
Over 30 bn	64.6% 63.3%	1.3%
5-30 bn	23.2% 33.9%	-10.8%
Under 5 bn	6.9% 2.7%	4.2%
Cash	5.3%	

DEALING DETAILS

CUT OFF TIME	T at 1 pm (T being the dealing day)
SETTLEMENT	T+3
VALUATION	Daily
NAV CALCULATION	Day +1
NAV PUBLICATION	Day +1

Important Information

The sub-fund is part of Generali Investments SICAV (an investment company qualifying as a "société d'investissement à capital variable" with multiple sub-funds under the laws of the Grand Duchy of Luxembourg) managed by Generali Investments Luxembourg S.A. who appointed Generali Investments Partners S.p.A. Società di gestione del risparmio as investment manager. The information contained in this document is only for general information on products and services provided by Generali Investments Partners S.p.A. Società di gestione del risparmio. It shall under no circumstance constitute an offer, recommendation or solicitation to subscribe units/shares of undertakings for collective investment in transferable securities or application for an offer of investments services. It is not linked to or it is not intended to be the foundation of any contract or commitment. It shall not be considered as an explicit or implicit recommendation of investment strategy or as investment advice. Before subscribing an offer of investment services, each potential client shall be given every document provided by the regulations in force from time to time, documents to be carefully read by the client before making any investment choice. Generali Investments Partners S.p.A. Società di gestione del risparmio, periodically updating the contents of this document, relieves itself from any responsibility concerning mistakes or omissions and shall not be considered responsible in case of possible damages or losses related to the improper use of the information herein provided. Past performance is not a guarantee of future performance and the sub-fund presents a risk of loss of capital. No assurance is released with regard to the approximate correspondence of the future performances with the ones above mentioned. Before adopting any investment decision the client shall carefully read, if applicable, the subscription form, and the offering documentation (including the KIID, the prospectus, the fund regulation or by-laws as the case may be), which must be delivered before subscribing the investment. The offering documentation is available at any time, free of charge and in the relevant languages on our website (www.generali-investments.com), on Generali Investments Luxembourg S.A. (Management Company of Generali Investments SICAV) website (www.generali-investments.lu), and by distributors. An hardcopy of the offering documentation may also been requested to the Management Company, free of charge. Generali Investments is a commercial brand of Generali Investments Partners S.p.A. Società di gestione del risparmio, Generali Insurance Asset Management S.p.A. Società di gestione del risparmio, Generali Investments Luxembourg S.A. and Generali Investments Holding S.p.A.. Generali Investments is part of the Generali Group which was established in 1831 in Trieste as Assicurazioni Generali Austro-Italiche.

Please see the important information at the end of this document. Investing in the fund/sub-fund involves risks including the possible loss of capital. Please read the KIIDs and the prospectus to find out about these risks. Legal information concerning the fund/sub-fund are available on the website: www.generali-investment.com. Certain information in this publication has been obtained from sources outside of Generali Investments Partners S.p.A. Società di gestione del risparmio. While such information is believed to be reliable for the purposes used herein, no representations are made as to the accuracy or completeness thereof.