

iMGP European Subordinated Bonds

Share class : I EUR
ISIN : LU1457568043
For qualified investors only

Managed by
Ersel Asset Management SGR

Investment objective

The Fund's objective is to generate investment growth mainly through any types of subordinated bonds, including convertible bonds and, for maximum 50%, contingent convertible bonds, issued by European entities or entities predominantly active in Europe. The Fund may, to a lesser extent, invest in other fixed income securities, including ABS (Asset Backed Securities). The Index ICE BofA ML EUR Financial Subordinated is used for comparison only, incl. for performance comparison. The Fund is actively managed and the manager's discretionary powers are not constrained by the Index. Although the manager may take into consideration the Index composition, the Fund may bear little resemblance to the Index. As part of the aforementioned investment policy, the manager may also invest in Credit Default Swaps, both as buyer and as seller of protection.

Risk/Return profile

LOWER RISK
(Typically lower rewards)

HIGHER RISK
(Typically higher rewards)

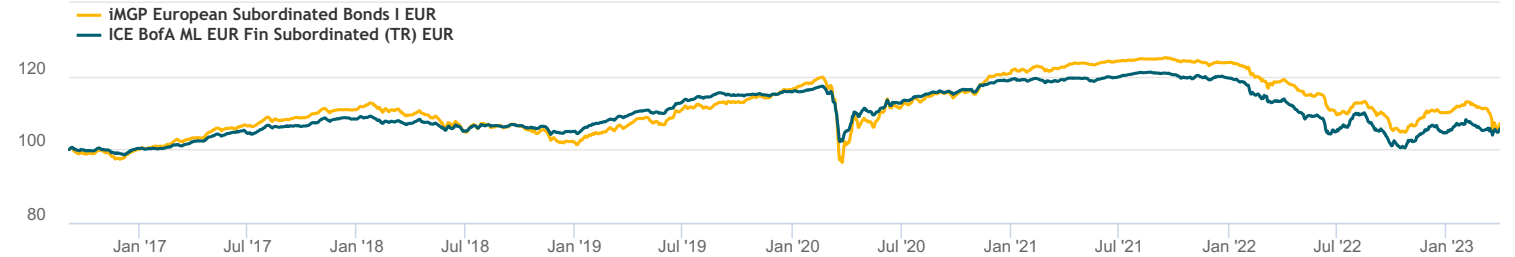


Fund facts

Fund manager	Ersel Asset Management SGR
Dividend policy	Accumulating
Last NAV	EUR 1,071.12
Fund size	EUR 103.2 mn
Fund type	Bonds
Investment zone	Europe
Recommended invest. horizon	At least 4 years
Share class currency	EUR
Inception date	2016.09.02
Index	ICE BofA ML EUR Fin Subordinated (TR) EUR
Legal structure	Luxembourg SICAV - UCITS
Registration	NL, LU, IT (QI), FR, ES, DE, CH, AT
Classification SFDR	Article 8

Performance & risk measures

Data as of 2023.03.31



ICE BofAML Eur Fin Subordinated (TR)													
Monthly returns	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2023	-3.2%	1.8%	-0.7%	-4.2%	-	-	-	-	-	-	-	-	-
2022	-11.0%	-1.4%	-2.8%	0.2%	-2.4%	-0.8%	-5.0%	2.8%	-1.7%	-4.8%	1.2%	3.3%	0.1%
2021	2.5%	0.4%	0.1%	0.9%	0.7%	0.0%	0.5%	0.3%	0.1%	-0.1%	-0.5%	-0.6%	0.5%
2020	3.7%	1.5%	-1.2%	-12.9%	6.7%	1.4%	1.2%	1.4%	2.0%	-0.3%	0.2%	4.2%	0.8%
2019	14.1%	2.2%	1.4%	0.5%	2.2%	-1.7%	3.6%	1.2%	0.7%	0.2%	1.1%	0.7%	1.2%
2018	-7.9%	1.1%	-1.1%	-1.3%	0.1%	-2.9%	-1.2%	2.0%	-1.0%	0.3%	-1.6%	-2.4%	-0.1%
Cumulative performance	Fund	Index	Calendar year performance			Fund	Index	Annualized risk measures		Fund	Index		
1M	-4.2%	-0.3%	YTD		-3.2%	0.7%	Volatility		6.5%	5.2%			
3M	-3.2%	0.7%	2022		-11.0%	-12.5%	Sharpe ratio		0.2	0.0			
6M	1.2%	4.0%	2021		2.5%	0.5%	Information ratio		0.4	-			
1Y	-10.3%	-7.0%	2020		3.7%	2.8%	Duration		2.7	-			
3Y	5.3%	0.4%	2019		14.1%	10.3%	Yield to maturity		6.8%	-			
5Y	-2.5%	-1.8%	2018		-7.9%	-3.1%							
Since inception	6.6%	5.2%											
Annualized performance	Fund	Index											
3Y	1.7%	0.1%											
5Y	-0.5%	-0.4%											
Since inception	1.0%	0.8%											

Source: iM Global Partner Asset Management. Past performance does not guarantee or predict future performance. Annualized risk measures based on 3-year weekly returns if more than 3-year history or 1-year if less than 3-year history.

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Manager Comment

Highlights

- US regional banks turmoil and CS emergency merge with UBS drove spreads wider in March both in US and European credit markets, even if USD credit outperformed EUR as spreads widened less especially for high beta
- High-Grade bonds were best performers supported by the decrease in risk-free rates fueled by flight to quality and expectations of more accommodative central banks
- USD High Yields closed in slightly positive territory while Euro peers were barely negative but significantly outperformed subordinated bonds
- AT1s were affected the most, closing down more than 5% notwithstanding a sound recovery during the last trading week, while Hybrids and Tier 2s suffered minor losses
- The strategy posted negative returns lagging its reference index because of its shorter duration and higher credit risk, but managed to contain the drawdown notwithstanding its exposure to AT1 instruments

Cumulative performance	Fund	Index
1M	-4.2%	-0.3%
YTD	-3.2%	0.7%

Market Review

March was dominated by tensions in the banking sector. The default of SVB spread also outside the US regional banks sector and accelerated the on-going loss of confidence in CS bringing to the Swiss bank forced merge with UBS and putting additional pressure to European credit markets. Fears of a banking crisis and the potential consequent credit crunch pushed markets to price in more accommodative central banks and ignited a flight to quality that brough risk-free rates significantly lower. On the other side spreads widened, especially on High beta segments with a decompression in EUR High Yield of about 70 bps. Bank subordinated instruments were, anyway, the most affected, with AT1s spread rising by more than 100 bps getting close to historical peaks. Notwithstanding the context, Euro investment grade credit registered a positive performance of around +1%, while High Yields gave up only 50bps. Performance was instead overall negative for subordinated bonds, especially financials. While Tier 2 instruments partially benefited from the risk-free rates compression and realized only moderate losses in the month, AT1s lost more than 5% on average with significant dispersion among issuers. Finally, primary markets slowed down in March given market tensions, starting to resurge only towards the end of the month.

Fund Review

In this environment the strategy posted an overall negative return underperforming its reference index due to a lower duration and an overweight in high beta, AT1s especially. Notwithstanding the latter, the strategy managed to contain the drawdown, especially during AT1 sell off, thanks to the absence of CS instruments and the contribution of hedging via equity indices derivatives, even if the positive contribution during the selloff was almost entirely offset by the volatility of the following rally. On the long portfolio, worst contributors have been AT1 instruments as Banco BPM (-14.4%) and Deutsche Bank (-14.4%) together with Heimstaden Hybrid (-20.4%), while best contributors have been longer dated high grade bonds such as BNP T2 2031 (+1.7%), Agricole T2 2029 (+1.7%) and Telefonica Hyb (+1.0%). In terms of activity, the managers first decided to increase the level of cash and equivalent instruments by taking profits on liquid short term insurance T1s and banking legacy for about 13%. Half of the liquidity was then reinvested adding 5% of High Quality AT1s leaving the strategy with 14% of cash and 38% of COCOs at the end of march. AT1s showed a strong valuation appeal after the selloff suggesting adding exposure, but the asset class is expected to price a higher risk premium for longer after the recent events. As such the managers choose to focus on high quality issuer. The strategy remains lower in duration, overweight BB rated subs and AT1s versus the index, hedged via equity derivatives.

Outlook

With bank turmoil increasing the likelihood of a recessionary scenario and a still resilient core inflation which limits central banks ability to reduce their tightening, we view limited headroom for a further rally of risky asset. In this context, we continue see any rise in yields as an opportunity to add duration on high quality instruments while only adding selectively on credit risk by keeping the overall portfolio risk balanced via hedging instruments.

Portfolio Breakdown

Asset allocation	By Maturity	By Rating
Corporate 84.8%	Less than 1 year 4.8%	AAA 2.4%
Government 7.3%	Between 1 and 3 years 4.4%	A 0.8%
Hedging on Equities -7.0%	Between 5 and 7 years 4.5%	BBB 37.8%
Cash & Others 15.0%	Between 7 and 10 years 12.4%	BB 46.7%
	More than 10 years 65.9%	B 4.4%
By Country	By Sector	Top 10
ITALY 26.5%	Financials 73.3%	BOTS 12/05/23 364D 4.8%
FRANCE 17.7%	Government 7.3%	USIM VAR PERP(5.75%) 3.0%
NETHERLANDS 12.3%	Energy 4.8%	AVLN VAR 7/44(3.875%) 2.4%
SPAIN 8.6%	Industrials 2.5%	BKO 2.2% 12/24 2.4%
AUSTRIA 8.5%	Communications 1.8%	UCGIM VAR 02/29 EMTN 2.4%
UNITED KINGDOM 8.3%	Utilities 1.5%	BNP 1.625% 07/31 EMTN 2.3%
GERMANY 5.8%	Consumer Discretionary 1.0%	ACAFP 2% 03/29 EMTN 2.1%
BELGIUM 1.9%	Hedging on Equities -7.0%	ISPIM VAR 02/34 EMTN 2.1%
OTHER COUNTRIES 2.3%	Cash & Others 15.0%	ETHIAS 5% 1/26 1.9%
Hedging on Equities -7.0%		LAMON VAR PERP(5.05%) 1.9%
Cash & Others 15.0%		25.3%
By Currency	By Seniority	
EUR 100.0%	COCO 36.6%	
	T2 26.2%	
	SUB 15.3%	
	SEN 7.3%	
	T1 5.4%	
	UT2 1.3%	

Source: iM Global Partner Asset Management



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Dealing information

Liquidity	Daily
Cut-off time	TD 12:00 Luxembourg
Minimum initial investment	1,000,000
Settlement	TD+3
ISIN	LU1457568043
CH Security Nr	33361694
Bloomberg	OYESBIE LX

Fees

Subscription fee	Max 0.00%
Redemption fee	Max 1.00%
Management fee	Max 0.55%
Performance fee	-

Administrative information

Central Administration	CACEIS Bank, Luxembourg Branch	Auditor	PwC Luxembourg
Transfert Agent	CACEIS Bank, Luxembourg Branch	Management company	iM Global Partner Asset Management S.A.
Custodian Bank	CACEIS Bank, Luxembourg Branch		

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