NATIXIS INVESTMENT MANAGERS

NATIXIS INVESTMENT MANAGERS INTERNATIONAL

UCITS under French law

OSTRUM SRI EURO BONDS 1-3

ANNUAL REPORT as at 31 March 2023

Management Company: NATIXIS INVESTMENT MANAGERS INTERNATIONAL

Depositary: CACEIS BANK FRANCE

Statutory Auditor: Deloitte & Associés

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1. Management report

a) Investment guidelines

■ Management policy

Annual economic climate:
The past year was marked by the conflict in Ukraine, an energy shock in the eurozone, an accelerated rise in inflation and a clear tightening of monetary policies. The year closed with turbulence in the banking sector following the bankruptcy of three American regional banks and the forced takeover of Credit Suisse.

These various shocks and the end of the post-Covid catchup effect resulted in a slowdown in global growth. While fears were high in late 2022 that the eurozone would enter a recession, it was able to avoid this scenario thanks to support measures taken by the governments and falling petrol prices. In the financial markets, the faster and stronger tightening of monetary policies caused a sharp spike in interest rates, more notably on the short part of the bond yield curve. The equities markets posted fluctuations over the year.

Macroeconomic environment

The year was marked by a sharp acceleration of inflation. The war in Ukraine intensified pressures on prices, especially for energy and food, while inflation was already high due to the major adjustments that were made during and after the Covid-19 crisis. Russia was the leading energy supplier of the European Union before the war (40% of EU imports). The marked decline in Russian natural gas supplies, within a context of low inventory levels, therefore generated a sharp increase in its price. The price of natural gas in Europe (TTF index) hit a historic high at nearly €340 per megawatt hour (MWh) on 26 August, before falling below €50, to €48, on 31 March 2023. This decline is related to the strong reconstitution of natural gas inventories by the various countries, primarily through the increase use of liquefied natural gas from reliable suppliers and lower demand. Prices, however, still remain high compared to the average of €16 per MWh over the period from 2015–2020. The war also led to a significant increase in tensions on food prices. Russia and Ukraine are the world's leading grain suppliers, and the price of fertilisers rose sharply with the increase in the price of natural gas.

As a result, inflation in the eurozone reached a historic high at 10.6% in October, driven primarily by the increase in energy prices, before beginning to slow to return to 6.9% in March 2023. This is tied to the smaller contribution of energy prices as a result of a significant base effect. Underlying inflation (excluding food and energy) also rose sharply to reach a historic high of 5.7% in March 2023. This is the result of the spread of rising energy prices to a greater number of sectors, but also of domestic tensions linked to rising wages and unit profits. In the United States, inflation rose to a 40-year high of 9.1% in June, before falling to 5% in March 2023. It has eased because of the smaller contribution of energy and goods and, to a lesser extent, of food prices. It still remains high and well above the target of 2% followed by the Federal Reserve (Fed). Underlying inflation also accelerated sharply to reach a 40-year high of 6.6% in September before falling to 5.7% in December and 5.6% in March 2023. This reflects the domestics pressures in the services sector related primarily to salary increases.

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In the United States, growth slowed down over the course of the previous year after benefiting from a strong upturn in 2021 following the massive recovery measures taken by the Biden government to ease the shock of the Covid-19 crisis. Household consumption was curbed due to the loss of purchasing power linked to high inflation. While business investment remained sound, the residential real estate market contracted sharply due to the sharp rise in mortgage rates and continued high prices in the real estate sector. Nevertheless, it showed signs of stabilising over the first months of 2023. The labour market remained very strong (historically low unemployment rate at 3.5% in March 2023), which notably allowed consumption to rebound in the first quarter of 2023. Surveys conducted with business leaders in March 2023 suggested a slowdown in growth, with the Fed's strong monetary tightening expected to weigh on domestic demand. Adding to these concerns were fears of the further tightening of credit terms following the turbulence in the banking sector, which could impact demand even more and intensify the risk of recession in the second half of 2023.

Although the war in Ukraine generated fears of a severe recession in the eurozone, given its high dependency on Russian energy, growth remained resilient thanks to the broad measures taken by the governments to protect households and companies from the energy shock and the decline in gas prices as from September. Germany has been by far the most reactive and has spared no resources, given the fragility of its heavy dependence on Russian energy and its considerable budgetary leeway. Thus, it announced measures for a total of €265 billion, representing more than 7% of its GDP according to Bruegel. This represents slightly more than 40% of the support measures taken by all the governments of the European Union (€646 billion between September 2021 and March 2023). In Spain and Italy, growth benefited from the resumption of service activities, particularly tourism and catering. However, this impetus gradually died out at year-end 2022, due to the end of the catch-up effect and then the loss of purchasing power suffered by households. After recording no growth in the fourth quarter, recovery began in the eurozone in the first quarter of 2023 in light of the improvement in surveys conducted with business leaders.

After recording a strong post-Covid upturn, growth slowed sharply in the United Kingdom, barely avoiding a recession in the second half of 2022. Household consumption has been affected by loss of purchasing power. Faced with the sharp deterioration in the growth outlook, the brief government of Liz Truss announced a “mini” budget on 23 September 2022, containing vast unfinanced tax cuts. This created genuine panic on the bond markets due to the risks that it caused for debt sustainability, forcing the Bank of England to intervene urgently to preserve financial stability. The United Kingdom ultimately escaped recession, but saw flat growth over the last three quarters of 2022. Consumption benefited from the continued robust labour market and the government support measures to protect the country from the increase in energy prices. Early in 2023, the surveys improved suggesting a slight improvement in activity.

In China, growth slowed after being one of the few economies not to experience a recession in 2020 before recovering early in 2023. It was affected by the different waves of Covid-19, which led it to introduce strict lockdown measures in view of its zero-Covid policy. The government's clampdown on certain sectors was also a factor. Added to this was the marked slowdown in the property market as a result of the measures taken by the government as part of President Xi Jinping's campaign to combat income inequality. This resulted in a fall in property prices, weakening the most indebted developers, such as Evergrande.

Fears about the sector led the Chinese central bank to relax its monetary policy and the government to take targeted support measures (infrastructure and real estate). On 7 December, China surprised the world when it announced it was abandoning its zero-Covid policy with a general relaxing of the health rules. The indicators available in March 2023 showed a clear upturn in activity, particularly in the services sector, which had been heavily penalised by strict restrictions on mobility, and a stabilisation in the property market. This recovery was achieved in the absence of inflationary pressure.

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Emerging countries were affected by the slowdown in the Chinese economy, the sharp rise in energy and food prices and the depreciation of their currency compared to the dollar. Some of them had no choice but to raise their key rates in order to preserve their financial stability and fight high inflation as their economies started to slow down significantly. The war in Ukraine also caused food prices to rise further from their already historic highs. The high level of dependence of some emerging countries on grain imports from Russia and Ukraine makes them particularly vulnerable to the risks related to supply and high prices. This has increased the risk of social unrest and famine. During the third quarter of 2022, the IMF and China intervened to ease the debt burden of the most fragile countries. Given that inflation has peaked in many countries, some have cautiously paused monetary policy tightening during Q1 2023. This suggested that easing would continue for the rest of the year, facilitated by the fact that the Fed is very close to completing its rate hike cycle.

Central banks made a 180-degree turn by ending the highly accommodative monetary policies that had been adopted as a way of dealing with the Covid-19 crisis, and sharply increasing their key rates. The absolute priority is to combat inflation at the risk of impacting growth and triggering a recession.

In the United States, the Fed increased its rates by a total of 475 basis points between March 2022 and March 2023, bringing the range for federal funds to [4.75%; 5.0%]. The “extremely tight” labour market and “much too high” inflation led the Fed to raise its rates by 75 basis points (the highest increase since 1994) at four consecutive meetings between the months of June and November. The central bank also ended its purchases of financial assets at the end of March 2022 and then began to reduce reinvestments in bonds reaching maturity beginning in June.

In March 2023, when Jerome Powell had just signalled that the Fed was ready to raise rates further than planned at its December meeting, the announcement of the bankruptcies of the regional banks Signature Bank and SVB dissuaded it from doing so. The Fed intervened massively and rapidly, creating a new loan facility and the Treasury, together with the banking supervisory authority (the FDIC), guaranteed all the deposits of these two banks, including those that were not insured. These measures prevented contagion throughout the banking system and allowed the Fed to raise rates by 25 bp, rather than 50 bp as it had suggested, to combat inflation that was still too high. It has remained vague on the continuation of future hikes. It fears that the banking turmoil could lead to a further tightening of credit conditions by commercial banks, which could weigh on demand and hence inflation. This will thus reduce the need to raise interest rates. This is why it has left its Fed funds expectations unchanged between now and the end of 2023 (with the median at 5.1%), suggesting only a single rate hike of 25 bp in May. It is also anticipating a slight recession in the second half of 2023.

The ECB was the last of the major central banks to raise its rates, excluding the Bank of Japan. Until June 2022, it maintained its rates at historically low levels (0% for the refinancing rate, -0.50% for the deposit rate and 0.25% for the marginal lending rate). After reducing its purchases under the Pandemic Emergency Purchase Programme (PEPP), it ended the programme at the end of March 2022, as expected. To avoid tapering too quickly, it temporarily increased the size of its financial asset purchase programme (APP) to €40 billion a month in April and €30 billion a month in May, before dropping back down to €20 billion in June. It ended its APP purchases as of 1 July 2022. It also extended the reinvestment period for securities acquired under the PEPP reaching maturity until the end of 2024, providing some flexibility if required.

The ECB began to raise its rates on 21 July 2022 (+50 bp, up from the +25 bp announced earlier in June) to counter the high inflation. From July 2022 to March 2023, the central bank raised rates by a total of 350 basis points to bring the deposit rate to 3%, having been negative since June 2014. Like the Fed, it raised interest rates by 75 bp in September and October for the first time.

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In order to fight the risk of fragmentation, which prevents the transmission of the monetary policy to all countries of the eurozone, the ECB created a new instrument: The “Transmission Protection Instrument” (TPI). It may be activated “as a tool against unwarranted disorderly market dynamics that represent a serious threat for the transmission of monetary policy in the eurozone”. Unlimited in size, all States are eligible for it provided that they meet four criteria: compliance with the EU fiscal framework, absence of severe macroeconomic imbalances, sustainability of the trajectory of public debt and sound and sustainable macroeconomic policies, compliant with the recovery and resilience plans.

In October, the ECB also announced the first measures intended to reduce the size of its balance sheet via a change in the conditions of the TLTRO. By making these targeted long-term refinancing operations less attractive, early repayments have increased, leading to a reduction in the size of its balance sheet. Finally, beginning in March 2023, the ECB began its quantitative tightening (QT) by reducing the reinvestments of securities acquired under the Asset Purchase Programme (APP) and reaching maturity. The reduction has been set at an average at €15 billion per month between March and June, and this rate may be subsequently revised.

In the United Kingdom, the Bank of England, which was the first of the large central banks to raise its rates in December 2021, continued to tighten its monetary policy in order to fight inflation. It has raised rates by 350 bp over the past year, taking its key rate to 4.25% in March 2023 from 0.10% in November 2021. The announcement of the “mini” budget from the Truss government on 23 September forced the BoE to postpone the reduction of its balance sheet by one month and to take urgent measures in view of the risks affecting financial stability. The sharp rise in long-term rates resulted in unprecedented margin calls for pension funds which, due to a lack of sufficient liquidity, found themselves forced to sell the bonds held in their assets, thereby accentuating the tensions on the long-term rates. To calm the markets, the BoE intervened massively by purchasing bonds. Then the nomination of Jeremy Hunt as Chancellor of the Exchequer and Rishi Sunak as Prime Minister reassured investors. Most of the massive unfinanced tax cuts that had previously been announced by the brief government of Liz Truss were eliminated.

The Bank of Japan (BoJ) surprised the markets on 20 December by expanding the fluctuation band around the 0% target for the 10-year rate, bringing it to [-0.50%; +0.50%] compared to [-0.25%; +0.25%] previously.

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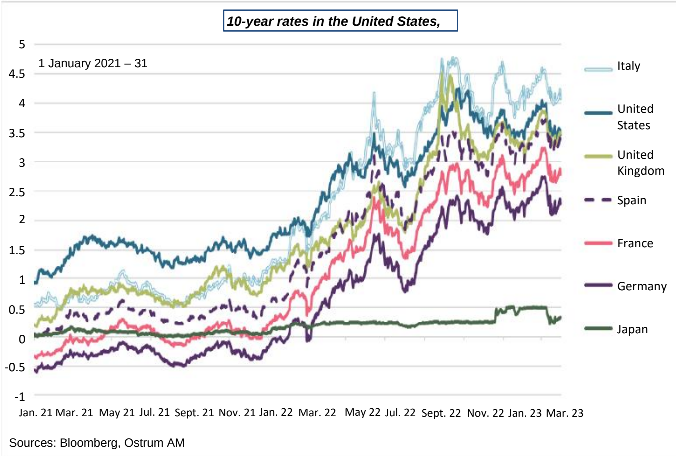
This generated a strong increase in bond rates and forced the BoJ to make massive purchases of government bonds to defend this new range. This decision was justified to improve the functioning of the zero-rate policy, but investors interpreted it as a step towards normalising the monetary policy. This difficult task would fall to Kazuo Ueda, who took over as head of the BoJ in April 2023.

Financial markets

Over the past year, sovereign bond yields have risen sharply on both sides of the Atlantic, with the sharp acceleration and persistence of inflation justifying a faster and stronger than expected tightening of monetary policy.



Sovereign bond rates increased sharply over the past year when they had been established at very low levels following the Covid-19 crisis. The war in Ukraine and its consequences on energy prices, food prices and supply chain tensions caused a strong surge in inflation from already high levels. Thus, the central banks clearly hardened their tone and raised their key rates more than predicted.

This movement of sharp increases was not linear. It was punctuated by four temporary phases of easing rates.

The first took place between mid-June and the month of July. Investors wrongly anticipated that Fed funds rates would reach a pivot in 2023 and that the Fed would back down because of the risks to growth. The speeches delivered by central bankers at the end of August in Jackson Hole completely reversed the trend. They reasserted their unconditional commitment to combating inflation that was far too high at the risk of affecting growth. Rates therefore rose once again starting in August. Tensions also increased significantly between 23 and 28 September, as a result of the contagion effect of the pressure on British interest rates following the announcement of the “mini” budget.

After reaching a high for the past year of 4.2% for the US 10-year on 24 October, long-term rates eased again temporarily until mid-December. While the Fed raised its rates by 75 bp as expected on 2 November, it suggested a more moderate rate hike in December. The rate decline then intensified with the publication of an American inflation rate lower than expected by the markets. Thus, the American 10-year rate eased by 75 bp over the period and the German 10-year rate by nearly 50 bp.

As from mid-December, bond rates once again suffered from strong tensions until the end of 2022. During meetings – on 14 December for the Fed and 15 December for the ECB – the central bankers reiterated their strong determination to fight inflation and the prospects of still too high inflation. The tone of the ECB was hawkish. While it slowed the pace of its rate hikes (+50 bp in December compared to 75 bp in October), it was very clear about the fact that this did not, in any way, constitute a pivot. It will continue to raise its rates until the monetary policy has become sufficiently restrictive to fight high inflation.

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This resolutely hawkish tone was motivated by the clear easing of financial conditions since mid-October and the new measures taken by the governments to protect households and businesses from the increase in energy prices. These two factors run counter to the monetary tightening operated by the ECB. This resulted in strong pressures on rates, which were more marked in the eurozone than in the United States.

In the first two weeks of January, rates eased again as inflation slowed down due to the smaller contribution from energy prices. Investors thus anticipated a slowdown in the pace of key rate increases, which would be followed by an easing of monetary policies. These hopes were soon dashed as central bankers insisted that underlying inflation remained far too high and justified further rate hikes. Rates then rose again from mid-January to early March. The German 10-year rate reached its high for last year, closing at 2.75% on 2 March.

The bond markets experienced a final sharp turnaround on 10 March, following the announcement of the collapse of two US banks (SVB and Signature Bank) and the forced takeover of Credit Suisse. This created a real shockwave, with investors initially fearing a systemic crisis similar to that of 2008, following the collapse of Lehman Brothers. Strong risk aversion drove a flight to profitable quality in the bond markets and generated unprecedented volatility. The American and German 10-year rates thus lost more than 50 bp in the space of seven days. They then stabilised and recovered slightly as investors were reassured by the decisive measures taken by authorities.

In total, over all of last year, the American 10-year rate rose 110 bp, closing at 3.5% on 31 March 2023. The German 10-year rate rose by 175 bp, closing at 2.3% and the French 10-year rate by 180 bp, ending at 2.8%. Tensions were much stronger on short rates and particularly on 2-year rates, the latter reflecting monetary policy expectations. In the United States, the two-year rate increased by 170 bp over the year to close at 4%. The 2-10 year rate curve thus was negative, which has always been followed by recession in the US economy in the past. The rate curve was also inverted in Germany, as from the month of November.

The spreads in the peripheral countries saw fluctuations over the year. Investors reacted first to the faster-than-expected normalisation of the ECB's monetary policy in order to cope with the surge in inflation, and to the prospect of the end of purchases via the APP, potentially as from 1 July. This lack of support for bond markets in the eurozone in a context of rising rates created strong tensions on the rates of countries with a higher public debt-to-GDP ratio, particularly Greece and Italy. Investors were also disappointed on 9 June by the absence of information from the ECB about the preparation of an "anti-fragmentation" tool intended to avoid unjustified tensions on the rates of certain countries that could hamper the correct transmission of monetary policy to the entire eurozone. Greece's spread thus peaked at 290 bp on 14 June, and Italy's at 240 bp, before tightening after the extraordinary meeting of the ECB that decided on an upcoming announcement of a new anti-fragmentation tool. The Transmission Protection Instrument (TPI) was presented on 21 July. It may be activated to "fight against unwarranted disorderly market dynamics that represent a serious threat for the transmission of monetary policy in the eurozone".

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This announcement coincided with Mario Draghi's resignation from his post as Prime Minister, following the collapse of the national unity coalition. To limit tensions about the spreads of peripheral countries, in June and July the ECB used flexibility in reinvesting securities acquired under the PEPP reaching maturity. Italy and Spain were thus favoured (with €9.8 and €5.9 billion, respectively) to the detriment of Germany and the Netherlands (-€14.3 billion and -€3.4 billion, respectively). These two instruments thus contributed to limiting tensions over Italy's spread in September (moving between 240 and 250 bp) despite the victory of the right-wing coalition in the Italian early legislative elections on 25 September, then the nomination of Giorgia Meloni, the head of the extreme-right Brothers of Italy party, as Prime Minister. The spreads of the peripheral countries began to ease in October. Investors were reassured by the formation of the new Italian government, which has given guarantees to the European Union so that it will benefit from NextGenerationEU funds. Giorgia Meloni has appointed a close friend of Mario Draghi, Giancarlo Giorgetti, as Minister of the Economy and Finance, and the former President of the European Parliament, Antonio Tajani, as Minister of Foreign Affairs and Deputy Prime Minister.

Spreads subsequently held up fairly well, despite the ECB announcement at its December meeting that QT would begin in March 2023, strong issues from the government, primarily to finance support measures for households and businesses, and the banking stress in March 2023.

Italy's spread thus closed at 180 bp on 31 March 2023, a deviation of 30 bp over the year, after peaking at 250 bp on 7 October. Spain's spread deviated by 10 bp to close at 100 bp, and Portugal's spread remained relatively stable over the year (to close at 80 bp at end-March 2023). Greece stands out from the other countries with a tightening of the spread by 20 bp over the year, closing at 190 bp. This is due in particular to strong nominal growth, the continued reduction in deficits and public debt, and the measures taken by the government, both in terms of structural reforms and investment, to benefit from EU payments under Next Generation EU.

Management over the period:

During the second quarter of 2022, the German ten-year rate recorded two trends. The first was a sharp increase when the rate rose from 0.54% to 1.77% because of more aggressive central bankers in the face of persistent inflation. As from 23 June, the rate dropped significantly, closing at 1.33% at end-June. Indeed, economic figures such as the Euro PMI have shown a clear slowdown, even if the level remains above 50, suggesting a recession in the medium term. The drop in the rate had begun the day before the publication of the PMI when Jerome Powell told the US Senate Banking Committee that a recession was certainly a possibility.
The 2-10 year curve rose by 6 bp over the quarter, closing at 68 bp.
We managed the duration between neutrality and -37 pps modified duration.

The allocation made a positive contribution to performance until mid-June, before wiping out this alpha and making a negative contribution towards the end of the quarter. We had underexposed Italian debt with the certainty that the slowdown in ECB purchases would widen spreads compared to Germany. The 10-year Italy-Germany spread differed by 40 bp before erasing this tension to close at 190 bp.

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We started with an under-exposure of 10 pps which we increased to 30 pps without knowing that Ms Lagarde was going to orchestrate an emergency meeting and communicate on an anti-fragmentation tool. This extraordinary session tightened peripheral spreads very sharply and penalised performance. This strategy was offset by an under-exposure to duration, which contributed to performance.

During the third quarter of 2022, we first saw a significant increase in the German 10-year yield, from 1.33% to 2.10%, supported by comments from central bankers that remained as aggressive as ever. This tension started at the beginning of August, with a downward movement in rates that began on 23 June and reached 0.77% at the beginning of August before reversing. Indeed, the market had anticipated a recession, only to have this erased after the publication of the PMI and CPI in August and comments by central bankers suggesting aggressive movements. Actions followed words in September with a rate increase of 75 bp by the Fed and the ECB.

The 2–10 year curve flattened by 50% to reach 35 bp. Over the period, duration management contributed 17 basis points to performance. We managed the duration between neutrality and -45 pps modified duration.
The bund asset swap continued to deviate by 20 bp over the period, rising from 81 bp to 101 bp. There was clearly excess liquidity in the market. The ECB was not successful in calming this tension with concrete measures at its September meeting.

The strategy made a negative contribution of 2 basis points to performance over the period.
Our inflation diversification suffered over the period. The German break-even point of five years lost 25 basis points. The credibility of the central bankers and the aversion to risk lowered anticipations of inflation. We expect, however, second-round effects with salary increases.

This strategy cost us 2 bp of performance over the period.
We still expect the spread between Italian and German debt to widen. The strategy was neutral in terms of performance over the period.

Over the final quarter of 2022, the German rate rose 47 bp to close at 2.57%. The amplitude of the German rate was enormous; 79 bp with two trends – one before and one after the ECB meeting in December.
The 2-year German rate increased by 101 basis points to close at 2.76%. The curve reversed itself, stabilising at 20 basis points in December.

In fact, in late November we were not convinced that the market was already anticipating a recession as at the end of June 2022. The ECB meeting was a trigger for the rate hike, and the gamble paid off. The November under performance was recovered in December after the sharp increase in rates.

We anticipated a German 10-year rate that would stabilise around 2.50%. It closed 2022 at 2.57%. The ECB increased its rate by 50 basis points on 15 December, raising it to 2%.
This strategy made a positive contribution of 20 bp to performance over the period.
The bund asset swap normalised and fell 39 bp over the period from 101 bp to 62 bp.
The strategy made a positive contribution of 4 basis points to performance. The French agencies did not take advantage of this tightening as the German and supranational agencies did.

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Over the quarter, the 3–10 year inflation break-even point rose by 30 bp, driven by the convergence of the 3-year break-even rate towards 2%, which can be explained by the fall in energy prices, a restrictive monetary policy and the high point of inflation. The 10-year inflation break-even point rose 19 bp to 227 bp.
Moreover, the inflation carry contributed to performance over the period.
This strategy made a positive contribution of 10 bp to performance over the period.

Italy tightened and penalised performance over the period by 30 bp. Explanations for this tightening remain slight. It can be explained by a BTP Italia issue that went well, Meloni’s positive stance on the European Union and short buybacks that accelerated the tightening of spreads.

At the beginning of 2023, after a bear market in January, the maximum key rate was expected on 8 March to be 4.07%, compared to the 3.40% expected at the beginning of February. The German 2-year rate hit 3.33% on 8 March and the German 10-year rate reached 2.65%.
Against this backdrop, we have gone from neutral to under-exposed by 50 basis points in duration (80% exposure). We had revised our target for the German 10-year yield upwards from 2.5% at the start of the quarter to 3%.
Central bankers made aggressive comments, such as Robert Holzmann on 6 March, who said he expected four 50 basis point hikes this year. Those comments supported our positioning.

Our positioning was undermined by the collapse of Silicon Valley Bank. Although the American regulator reacted very quickly to significantly reduce the systemic risk, the market was not convinced. The German two-year rate closed at 2.55% on Monday 13 March and the ten-year rate at 2.22%.

Volatility hit record levels, split between the battle against inflation and the fears of systemic risk. The UBS purchase of Credit Suisse the weekend of 19 March drove the two-year rate down to its lowest level of the year at 2.09% before it recovered at the end of the day to 2.36%. The German ten-year rate fell to 1.92% before rising to 2.12%.
With the aversion to risk and a market that expects a rate increase of only 25 basis points by the end of the year, we reduced our under-exposure by half.

The directional strategy cost us almost 30 bp of performance.
The sovereign spreads remained contained during the risk aversion. We had under-weighted Italy, Spain and Portugal and invested in the Greek debt. There was no impact on performance.
The bund asset swap widened by 20 bp to 80 bp during the week of 13 March. In the spread, we increased our diversification towards agencies and supranationals to reach 50 pps at the end of the quarter.

The strategy made a positive contribution of 4 bp to performance over the quarter.
We have an inflation diversification of 20 pps. The aversion to risk wiped out the anticipations of inflation before rising to 2.51 on 31 March. The amplitude of the inflation break-even point for the quarter was 111 basis points with a peak at 2.93 on 3 March.
This strategy cost us 1 bp of performance over the period.

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Summary of positioning:

In summary, the fund ended the period with a gross underperformance of nearly 30 bp, which can be explained by our directional positioning in March before the bank failures of several US regional banks. The persistence of inflation has led us to maintain a strategy of flattening the curve and inflation diversification. Recent pressure on the bund asset swap has led us to strengthen our diversification into agencies and supranationals. Our portfolio holds slightly more than 21.2% green bonds.
Performance net of management fees is as follows for an index at -2.984%:

- FR0010208421 Net perf -3.512%
- FR0010657387 Net perf -3.826%
- FR0010655431 Net perf -3.512%
- FR0013381050 Net perf -3.816%

Past performance is no guarantee of future results.

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b) Information regarding the UCI

■ Main changes to the portfolio during the financial year

Securities	Changes ("Accounting currency")	
	Purchases	Sales
BUNDSOBLIGATION 0.0% 10/10/25	9,418,675.50	2,487,530.00
DBR 0 08/15/30	5,871,060.00	5,736,196.00
BUNDESSCHATZANWEISUNGEN 2.2% 12/12/24	3,692,303.00	3,652,851.00
GERMANY 2% 15/08/2023	1,028,910.00	4,364,009.80
BUNDESSCHATZANWEISUNGEN 0.2% 14/06/24	2,563,760.00	2,532,712.00
BUNDSOBLIGATION 1.3% 15/10/27	1,993,699.84	1,612,201.00
GERMANY 0.1% 15/04/26 IND	2,293,869.05	1,048,870.97
SPAIN 1.6% 30-04-25	3,340,024.00	0.00
BUNDESSCHATZANWEISUNGEN 0.0% 15/03/24	0.00	2,554,570.00
SPGB 3.8 04/30/24	0.00	2,410,147.00

■ Material changes occurring during the financial year and in the future

None.

■ Index-linked UCI

This UCI is not classified as an index-linked UCI.

■ Alternative funds of funds

This UCI is not classified as an alternative fund of funds.

■ SFTR in EUR

The UCI did not conduct any transactions during the financial year that fell within the scope of the SFTR.

■ Access to documentation

The legal documentation for the Fund (KIID, prospectus, periodic reports etc.) is available from the Management Company at its head office or from the following email address: **ClientServicingAM@natixis.com**

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■ **Efficient portfolio management techniques and financial derivative instruments (ESMA) in EUR**

a) Exposure obtained through efficient portfolio management techniques and derivatives

- **Exposure obtained through efficient management techniques: 0.00**
  - o Securities lending: 0.00
  - o Securities borrowing: 0.00
  - o Reverse repurchase agreements: 0.00
  - o Repurchase agreements: 0.00
- **Underlying exposure achieved through derivatives: 6,899,045.00**
  - o Forward foreign exchange: 0.00
  - o Futures: 6,899,045.00
  - o Options: 0.00
  - o Swaps: 0.00

b) Identity of the counterparty/counterparties to efficient portfolio management techniques and derivatives

Efficient management techniques	Derivatives (*)

(*) Except listed derivatives.

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c) Collateral received by the UCITS to reduce counterparty risk

Types of instruments	Amount in portfolio currency
Efficient management techniques	
. Forward deposits	0.00
. Equities	0.00
. Bonds	0.00
. UCITS	0.00
. Cash (*)	0.00
Total	**0.00**
Derivatives	
. Forward deposits	0.00
. Equities	0.00
. Bonds	0.00
. UCITS	0.00
. Cash	0.00
Total	**0.00**

(*) The Cash account also includes cash and cash equivalents resulting from repurchase transactions.

d) Operating income and expenses related to efficient management techniques

Operating income and expenses	Amount in portfolio currency
. Income (*)	0.00
. Other income	0.00
Total income	**0.00**
. Direct operating expenses	0.00
. Indirect operating expenses	0.00
. Other expenses	0.00
Total expenses	**0.00**

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c) Information regarding risks

■ Overall risk calculation method

The Management Company uses the commitment method to measure the overall risk of this Fund.

■ Exposure to securitisation

This UCI has no exposure to securitisation.

■ Risk management

None.

■ Cash management

None.

■ Handling of non-liquid assets

This is not relevant to this UCI.

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d) Environmental, social and governance (ESG) criteria

How ESG criteria are taken into account in the investment process is described in detail in the pre-contractual document appended to the Fund's prospectus.

Information on the Taxonomy Regulation (EU) 2020/852: Article 8

Pursuant to Article 50 of the SFDR Level 2 Delegated Regulation, information about the environmental or social characteristics promoted by the financial product is available in an annex to this report.

e) French Law on Energy and Climate

This UCI is not subject to the regulation implementing *Loi n°2019-1147 relative à l'énergie et au climat* (French Law No. 2019-1147 on energy and climate).

2. Governance and compliance commitments

■ Procedure for selecting and assessing intermediaries and counterparties – Order execution

For the Management Company to meet its best execution obligation, the selection and monitoring of fixed income intermediaries, stockbrokers and counterparties are governed by a specific process.
The Management Company's policy regarding the selection of intermediaries/counterparties and order execution is available online at: https://www.im.natixis.com/intl/resources/policy-best-execution-best-selection.

■ Voting policy

Details of the conditions under which the Management Company intends to exercise the voting rights associated with securities held in the portfolio by the fund it manages, as well as the latest annual report, are available from the company's registered office, or online at: https://www.im.natixis.com/intl/resources/natixis-investment-managers-international-report-on-voting-rights.

■ Remuneration policy

This NIMI remuneration policy consists of general principles applicable to all employees (see point I), specific principles applicable to employees identified by AIFM and UCITS V (see point II) and a governance mechanism applicable to all employees (see point III).
It falls under the remuneration policy defined by Natixis and is established in compliance with the provisions relating to remuneration stipulated in the following regulatory texts, as well as the guidelines of the European Securities and Markets Authority (ESMA) and the positions of the French Financial Markets Authority (Autorité des Marchés Financiers – AMF) resulting therefrom:

- Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers, transposed into the French Monetary and Financial Code by Order No. 2013-676 of 27 July 2013 ("AIFM Directive").
- Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 on undertakings for collective investment in transferable securities (UCITS), transposed into the French Monetary and Financial Code by Order No. 2016-312 of 17 March 2016 ("UCITS V Directive").
- Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments, transposed into the French Monetary and Financial Code by Order No. 2016-827 of 23 June 2016, supplemented by Delegated Regulation 2017/565/EU of 25 April 2016 ("MiFID II Directive").
- Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.

I- GENERAL PRINCIPLES OF THE REMUNERATION POLICY

The remuneration policy is a strategic element of the NIMI policy. As a tool to enhance employee motivation and commitment, it aims to be competitive and attractive in relation to the rest of the industry while fully complying with key financial indicators and regulations.

2. Governance and compliance commitments

NIMI's remuneration policy, which applies to all employees, counts the alignment of employees' interests with those of investors among its fundamental principles:
- It is consistent and promotes sound and efficient risk management and does not encourage risk-taking that would be incompatible with the risk profiles, regulations or documents constituting the products managed.
- It is in line with the economic strategy, objectives, values and interests of the Management Company and the products it manages, as well as those of investors, and includes measures aimed at preventing conflicts of interest.

The remuneration policy covers all components of remuneration, which include fixed remuneration and, where applicable, variable remuneration.

Fixed remuneration rewards skills, professional experience and level of responsibility. It takes into account market conditions.

Variable remuneration depends on the assessment of collective performance – measured at the level of the Management Company and the products managed – and individual performance. It considers quantitative and qualitative factors, which may be established on a yearly or multi-year basis.

I-1. Definition of performance

The objective and transparent assessment of annual and multi-year performance based on predefined objectives is the prerequisite for the application of NIMI's remuneration policy. It ensures the fair and selective treatment of employees. This assessment is shared between the employee and their manager during an individual appraisal interview.

The contribution and performance level of each employee are evaluated with regard to their duties, assignments and level of responsibility in the Management Company. In this context, the remuneration policy distinguishes several categories of staff:

- The Management Committee is assessed on its contribution to the definition and implementation of the Management Company's strategy, this strategy being part of that of the international distribution platform and that of Solutions. The Management Committee is also assessed on its ability to expand the performance of product and service offerings, on the performance of the distribution activity and, more generally, on the development of the group's multi-boutique model, as well as on the risk-adjusted financial performance within its scope of supervision.
For this category, performance is assessed annually through quantitative indicators linked to changes in NIMI's financial results and supervised activities, as well as a contribution to the overall performance of Natixis IM. Performance is also assessed through the achievement of qualitative objectives, such as the quality of management and/or responsibility for/contribution to cross-functional projects.

- Support functions are assessed on their ability to proactively support the strategic challenges of the Management Company. Individual performance is assessed annually through the achievement of qualitative objectives, such as the quality of recurring business activity and/or the degree of participation in cross-functional projects or strategic/regulatory projects. These objectives are defined annually in accordance with those of NIMI, those of the international distribution platform and, where applicable, those of Solutions.

2. Governance and compliance commitments

- Assessment of the performance of control functions is based solely on the evaluation of qualitative criteria, such as participation in cross-functional projects or in strategic/regulatory plans, defined annually, to avoid compromising their independence or creating conflicts of interest with the activities they control.

- The performance of management functions is assessed according to a quantitative criterion linked to the generation of value through allocation, supplemented by qualitative criteria.
The quantitative criterion reflects the challenges of achieving the management performance sought by investors without, however, authorising excessive risk-taking, which may have an impact on the risk profile of NIMI and/or the products managed.
This quantitative criterion is calculated over a predefined period in line with the risk-adjusted performance horizon of the funds managed and of the Management Company.
Specific criteria incorporating risks related to sustainability, i.e. environmental, social and governance issues, must be defined for all management team employees.

- Assessment of the performance of real asset private debt management functions is based on two criteria (one quantitative, one qualitative), which, if successfully met, means that the interests of the Management Company and investor clients are both being served by the funds and strategies managed by the team.
The quantitative criterion measures the amount of funds raised from investors and reflects each manager's involvement in the development of the assets under management, which generate income for the business activity. The qualitative criterion is designed to ensure that investments made on behalf of clients have been made with strict application of the investment criteria defined with those clients. It also aims to ensure that the manager has performed an exhaustive advance analysis of the risk factors expected during the investment and throughout the entire holding period. In the event that any risk factor occurs, the relevance of the corrective measures that will be carried out diligently, and in the sole interest of the investor, will be taken into account. In other words, this criterion does not penalise the manager for the occurrence of a credit event (credit risk is in fact inherent in this business activity). It aims to guarantee clients that an exhaustive analysis of the risks and their mitigation factors has been carried out *ab initio*, followed by a control process conducted for the duration of the holding period. This enables a well-considered and effective response in case of a credit event in order to neutralise or limit the impact for investors.

- Assessment of the performance of the distribution functions is based on the evaluation of quantitative and qualitative criteria. The quantitative criteria are based on gross inflows, net inflows, revenue, the profitability of the assets under management and how these change. The qualitative criteria include the diversification and development of the business (new clients, new affiliates, new expertise etc.) and the joint consideration of NIMI's interests and those of the clients.

For all categories of staff, the performance assessment incorporates qualitative criteria.
These qualitative criteria always include compliance with regulations and NIMI's internal procedures in terms of risk management and compliance.

They may also include the quality of the relationship with clients, including the level of expertise and advice provided, improving the reliability of a process, participating in a cross-disciplinary project, participating in the development of new expertise, contributing to the development of operational efficiencies or any other aspects defined by the strategic objectives set out by NIMI.

2. Governance and compliance commitments

For each category of staff, all quantitative and qualitative objectives are defined and communicated individually at the start of the year, in line with NIMI's strategic objectives.

I-2. Remuneration components

I-2.1. Fixed remuneration

NIMI strives to maintain a level of fixed remuneration that sufficiently remunerates employees for their professional activity.

Fixed remuneration rewards the skills, professional experience and level of responsibility expected of an employee when performing their duties.

The positioning of fixed remuneration is reviewed periodically to ensure that it is consistent with regard to geographical and professional market practices.

Fixed salaries are reviewed once a year as part of the annual remuneration review. Outside that period, only promotions, internal job moves or exceptional individual circumstances may lead to a review.

I-2.2. Variable remuneration

Variable remuneration packages are defined on the basis of the annual results of NIMI, the international distribution platform and Solutions, and also as a function of qualitative elements, such as the practices of competitor companies, the general market conditions applicable at the time the results were obtained and any factors that may have temporarily influenced the business line's performance.

Variable remuneration, where awarded, is paid to reward individual annual performance achieved as part of a collective performance.

NIMI's collective variable remuneration consists of a profit-sharing and incentive scheme, together with a company savings plan (*plan d'épargne d'entreprise* – PEE) and a company collective retirement savings plan (*plan d'épargne pour la retraite collectif* – PERCO). Employees can benefit from a matching scheme under these plans.

This collective variable remuneration has no incentive impact on the risk management of NIMI and/or the managed products and does not fall within the scope of the AIFM or UCITS V directives.

In compliance with the total variable remuneration packages, individual variable remuneration is allocated as part of the annual remuneration review in an objective and discretionary manner, on the basis of the assessment of individual performance and the way in which this performance is achieved. Variable remuneration awarded to employees is affected by inappropriate risk and compliance management or non-compliance with regulations and internal procedures over the year considered (see I-1. above).

Identified employees are subject to specific obligations for adherence to the rules on risks and compliance. A breach of these obligations may result in a partial reduction or total cancellation of the individual variable remuneration awarded.

2. Governance and compliance commitments

In the event of a loss or a significant fall in its profits, NIMI may also decide to reduce or entirely cancel the amount allocated to individual variable remuneration, together with any deferred instalments of variable remuneration previously awarded and in the process of vesting.

Similarly, in the event that a major sustainability-related risk materialises, i.e. an environmental, social or governance event or situation occurs that could have a material and lasting adverse impact on the value of the funds/products under management, the package allocated to individual variable remuneration may be reduced or even cancelled, as may any deferred instalments of variable remuneration previously awarded and not yet fully vested.

There are no contractual guarantees for variable remuneration, with the occasional exception of variable remuneration awarded for the first year of work in connection with external recruitment.

“Golden parachute” agreements are forbidden. Payments related to the early termination of an employment contract are defined in accordance with legal provisions (legal and contractual indemnities) and the performance of the beneficiary, the area of the business to which they belong and the performance of the entire Management Company over the period. They are designed to avoid rewarding failure.

Variable remuneration is not paid through instruments or methods that facilitate circumvention of the requirements established in the regulations.

I-2.3. Key employee retention scheme

NIMI wants to ensure that its investors have confidence in the stability of its teams.

In order to achieve this, a deferred remuneration system has been incorporated into its remuneration policies.

Beyond a certain variable threshold, this scheme leads to the allocation of a portion of the variable remuneration in the form of a cash payment indexed to the change in the consolidated financial performance of Natixis IM measured by its earnings before tax (EBT), recorded each year over a minimum period of three years. The portion of variable remuneration thus deferred is vested in equal tranches over a period of at least three years and gives employees a stake in the performance of Natixis IM. The deferred variable remuneration rate is calculated by applying a deferred remuneration table.

This scheme is subject to the employee meeting conditions relating to continued employment and the absence of conduct inconsistent with the company’s standards that could have an impact on NIMI’s level of risk. Vesting of these tranches may be subject to a repayment commitment, either in full or in part, in order to ensure ex-post risk adjustment.

I-2.4. Balance between fixed and variable remuneration

NIMI ensures that there is an appropriate balance between the fixed and variable components of overall remuneration and that the fixed component represents a sufficiently high proportion of overall remuneration so that a fully flexible policy can be exercised with regard to variable components of remuneration, including the option of paying no variable component. All individual situations for which variable remuneration represents more than 100% of fixed remuneration and which can be explained by market practice and/or an exceptional level of responsibility, performance and behaviour, are documented by the Human Resources Department as part of the annual remuneration review.

2. Governance and compliance commitments

II- APPLICATION OF THE SCHEME APPLICABLE TO IDENTIFIED EMPLOYEES UNDER THE AIFM AND/OR UCITS V DIRECTIVES

II-1. Identified employees

In accordance with regulatory provisions, NIMI's identified employees include the categories of employee, including executive managers, risk-takers and those exercising a control function, as well as any employee who, based on their total remuneration, is in the same remuneration bracket as executive managers and risk-takers, whose employment activities have a material impact on the risk profile of the Management Company and/or the products managed by the Management Company. These persons are identified based on their employment activities, their level of responsibility or their overall level of remuneration.

To maintain consistency and alignment, NIMI has decided to implement the system applicable to identified employees across the full scope of products managed (mandates, UCITS and AIFs).

The following employee categories are identified:
- Members of the management body,
- Members of staff responsible for portfolio management,
- Managers of control functions (risk, compliance and internal control),
- Managers of support or administrative activities,
- Other risk-takers,
- Employees who, given their overall remuneration, are in the same remuneration bracket as executive management and risk-takers.

Each year, prior to the annual remuneration review, the Human Resources Department draws up and formally records the identification methodology and scope of NIMI's identified population in conjunction with the Director of Permanent Controls.

The scope of the entire identified employee population is then validated by NIMI's General Management and sent for approval to the Board of Directors in its supervisory function, before being provided to the Natixis Remuneration Committee.

The entire identification process is documented and archived by the Human Resources Department. The employees concerned are also informed of their status.

II-2. Scheme applicable to variable remuneration allocated to identified employees

In accordance with regulations and in order to ensure alignment between employees, investors and the management company, as soon as the variable remuneration of identified employees exceeds a certain threshold, it is partly deferred and partly awarded in the form of a financial instrument vesting pro rata temporis over a period of at least three years.

The proportion of the variable remuneration that is deferred over three years increases with the amount of variable remuneration awarded and can reach 60% for the highest remuneration at NIMI. Currently, the application methods for the deferred payment are as follows:

2. Governance and compliance commitments

- Up to €199,000 in variable remuneration: no deferral,
- Between €200,000 and €499,000: 50% of the amount deferred from the first euro,
- From €500,000: 60% of the amount deferred from the first euro.

The thresholds for triggering deferred variable remuneration are subject to change depending on regulations or changes to internal policies. In this case, the new thresholds are subject to approval by NIMI's Management Committee and the Natixis Remuneration Committee.

A minimum of 50% of the variable remuneration is also awarded in financial instruments in the form of indexed cash payments:

- For teams directly involved in portfolio management, with the exception of those managing real asset private debt, on the basis of the performance of a basket of products managed by NIMI;
- For teams that are not directly involved in portfolio management and teams managing real asset private debt, on the basis of changes in Natixis IM's consolidated financial performance measured by its earnings before tax (EBT), recorded each year over a minimum period of three years.

The vesting of the deferred portion of variable remuneration is subject to conditions relating to continued employment and to Natixis IM's consolidated financial performance as well as the absence of conduct inconsistent with the company's standards that could have an impact on the level of risk for NIMI and/or the products managed.

This vesting is also subject to obligations in terms of adherence to the rules on risks and compliance. Failure to comply with these obligations may result in a partial or total reduction of the vested portion. It may also be subject to a full or partial repayment commitment in order to ensure ex-post risk adjustment.

Employees in receipt of deferred variable remuneration are prohibited from using personal hedging or insurance strategies over the entire vesting period.

The terms and conditions for calculating, valuing, allocating, vesting and paying deferred variable remuneration in equivalent financial instruments are set out in the NIMI and Natixis IM Long-Term Incentive Plan (LTIP).

III- GOVERNANCE

The general and specific principles of the remuneration policy are drawn up and formally documented by NIMI's Human Resources Department in line with the policy applicable to the global distribution platform.

NIMI's Permanent Controls Department and Risk Department have an active role in the development, ongoing monitoring and assessment of the remuneration policy. They are thus involved in determining the overall strategy applicable to the Management Company to promote the development of effective risk management. As such, they are involved in determining the scope of identified employees. They are also responsible for assessing the impact of the variable remuneration structure on the risk profile of managers.

NIMI's remuneration policy is approved by the NIMI Board of Directors in its supervisory function.

2. Governance and compliance commitments

The general and specific principles, the application methods and quantified data of the remuneration policy, including identified employees and the highest remuneration levels, are approved in turn and in detail by the members of NIMI's Management Committee, then by an Intermediary Committee established at Federation level that encompasses all of the distribution, support and control functions of the Natixis IM Group, and which includes NIMI, in particular. This Intermediary Committee brings together the General Management teams of NIMI and Natixis IM. It then submits the above information in summary form for the approval of Natixis General Management, which then transmits it to the Natixis Remuneration Committee.

NIMI does not have its own remuneration committee but, as a member of the Natixis Group, reports to the Natixis Remuneration Committee.
The Natixis Remuneration Committee was established and acts in accordance with regulations[1]:

- Both in its composition: the independence and expertise of its members, the majority of whom, like its Chairman, do not perform executive functions within NIMI, are external to the Natixis Group and are therefore completely independent.
- And in the exercise of its duties, which in management companies more specifically include the following roles:

o Advice and assistance to the Board of Directors for the development and implementation of the Management Company's remuneration policy.

o Assistance to the Board of Directors in supervising the development and operation of the Management Company's remuneration system.

o Specific attention is paid to the evaluation of the mechanisms used to ensure that the remuneration system takes proper account of all categories of risk, liquidity and the levels of assets under management, and that the remuneration policy is compatible with the economic strategy, objectives, values and interests of the Management Company, the products managed and those of investors.

In this context, the general and specific principles, the compliance of NIMI's remuneration policy with the applicable regulations, and the application methods and summary calculated data of its remuneration policy, including details of identified employees and the highest remuneration levels, are submitted to the Natixis Remuneration Committee for a final review, before being approved by its Board of Directors in its supervisory role.

The remuneration of NIMI's Chief Executive Officer is set by the General Management teams of Natixis IM and Natixis, then presented to the Natixis Remuneration Committee.

The remuneration packages of NIMI's Risk and Compliance Directors are reviewed by Natixis IM's Risk and Compliance Directors as part of the independent reviews carried out by the risk and compliance functions. They are then submitted to the Natixis Remuneration Committee.
In short, all roles assigned to remuneration committees and set out in the regulatory texts are, in practice, performed by the Intermediary Committee established at Federation level, which incorporates NIMI, and/or by the Natixis Remuneration Committee.

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[1] For more details on the composition and role of the Natixis Remuneration Committee, see the company's Registration Document.

2. Governance and compliance commitments

The general and specific principles of the remuneration policy are communicated internally to all employees and members of the Works Council. NIMI also complies with all its obligations in terms of external advertising.

This entire review, validation and communication process takes place every year. It includes any regulatory and contextual changes and is conducted in line with the Natixis remuneration policy.

Finally, the entire NIMI remuneration policy is subject to a centralised and independent annual review by Natixis IM's Internal Audit Department.

When NIMI delegates the financial management of one of the portfolios that it manages to another management company, it ensures that this delegated company complies with the regulations in force.

Remuneration paid during the last financial year

The total amount of fixed and variable remuneration for the financial year paid by the Management Company to its staff, and the number of beneficiaries, is as follows:

Fixed remuneration in 2022*: €27,383,602
Variable remuneration awarded for 2022: €9,378,250
Employees concerned: 363
** Theoretical fixed remuneration for full-time equivalents (FTE) in December 2022*

The aggregate amount of remuneration, broken down between the Management Company's senior executives and members of staff whose activities have a material impact on the risk profile of the Management Company and/or the portfolios is as follows:

Total remuneration awarded for 2022: €9,689,885 including:
- Senior executives: €2,647,162
- Members of staff: €7,042,723
Employees concerned: 54

3. Fees and taxation

■ **Intermediation fees**

Detailed information on the terms and conditions applied by the Management Company for order execution or investment decision-making support services during the year ended can be found on its website at **http://www.im.natixis.com**.

■ **Withholding tax**

This UCI is not involved in recoveries of withholding tax in respect of this year.

4. Statutory Auditor's report

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TSA 20303
92030 La Défense Cedex, France

OSTRUM SRI EURO BONDS 1-3 (EX OSTRUM SOUVERAINS EURO 1-3)

Mutual Fund

Management company:
Natixis Investment Managers International

43 avenue Pierre Mendès France
75013 Paris, France

Statutory Auditor’s report on the annual financial statements

Financial year ended 31 March 2023

To the unitholders of the OSTRUM SRI EURO BONDS 1-3 mutual fund (EX OSTRUM SOUVERAINS EURO 1-3),

Opinion

In execution of the assignment entrusted to us by the management company, we have audited the annual financial statements of the OSTRUM SRI EURO BONDS 1-3 (FORMERLY OSTRUM SOUVERAINS EURO 1-3) undertaking for collective investment, constituted in the form of a mutual fund, relating to the financial year ended 31 March 2023, as attached to this report.

We certify that the annual financial statements are, in compliance with French accounting rules and principles, accurate and consistent, and give a true and fair view of the financial performance for the previous financial year as well as the financial position and holdings of the Fund at the end of this financial year.

Basis of the opinion on the annual financial statements

Audit framework

We conducted our audit in accordance with the standards of professional practice applicable in France. We believe that the information that we collected is sufficient and appropriate to form a basis for our opinion.

A French *société par actions simplifiée* (simplified public limited company) with capital of €2,188,160
Accounting firm registered with the professional association of Paris Ile-de-France
Auditing firm registered with the Compagnie Régionale de Versailles (Versailles Regional Association of Statutory Auditors)
Nanterre Trade and Companies Register No. 572 028 041
VAT No: FR 02 572 028 041

An entity of the Deloitte network

Our responsibilities pursuant to these standards are set out in the "Statutory auditor's responsibilities regarding the audit of the annual financial statements" section of this report.

Independence

We performed our audit assignment in accordance with the rules of independence stipulated in the French Commercial Code and French Code of Ethics for Statutory Auditors, for the period from 1 April 2022 to the issue date of our report.

Justification of our assessments

In accordance with the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we hereby inform you that, in our professional opinion, the most significant assessments we conducted were based on the appropriateness of the accounting principles applied, with specific regard to the financial instruments held in the portfolio and on the overall presentation of the financial statements, in respect of the chart of accounts for open-ended undertakings for collective investment.

The assessments were made as part of our audit of the annual financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report. We have no comment to make on any individual aspect of these annual financial statements.

Specific verifications

We also performed the specific verifications required by the relevant legal and regulatory provisions and in accordance with professional auditing standards in France.

We have no observations to make concerning the accuracy and consistency with the annual financial statements of the information provided in the management report prepared by the Management Company.

Responsibilities of the Management Company with respect to the annual financial statements

It is the Management Company's responsibility to prepare annual financial statements that provide a true and fair view, in accordance with French accounting rules and principles, and to implement the internal controls it deems necessary for the preparation of annual financial statements that are free of material misstatement, whether due to fraud or error.

When preparing the annual financial statements, it is the Management Company's responsibility to assess the Fund's ability to continue as a going concern, to present in said financial statements, where applicable, the necessary information relating to its viability as a going concern, and to apply the going concern accounting convention unless it intends to wind up the Fund or to cease trading.

The annual financial statements were prepared by the Management Company.

Statutory Auditor’s responsibilities regarding the audit of the annual financial statements

It is our responsibility to draw up a report on the annual financial statements. Our aim is to obtain reasonable assurance that the annual financial statements, taken as a whole, are free from material misstatements. Reasonable assurance corresponds to a high level of assurance, but does not guarantee that an audit performed in accordance with the standards of professional practice can systematically detect any material misstatement. Misstatements may arise from fraud or error and are considered material where it might reasonably be expected that, taken individually or together, they could influence the economic decisions made by users of the financial statements that are based upon such misstatements.

As specified by Article L. 823-10-1 of the French Commercial Code, our task is to certify the financial statements, and not to guarantee the viability or the quality of the management of your Fund.

As part of an audit conducted in accordance with the professional practice standards applicable in France, the Statutory Auditor exercises their professional judgement throughout this audit. In addition:

- they identify and assess the risks of material misstatements in the annual financial statements, whether due to fraud or error, design and carry out audit procedures intended to counter these risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement due to fraud is greater than for a material misstatement due to error, because fraud may involve collusion, forgery, deliberate omissions, misrepresentations or the circumvention of internal control processes;
- they become familiar with the internal control processes relevant to the audit so as to set out audit procedures that are appropriate to the circumstances, and not to express an opinion on the effectiveness of the internal control processes;
- they assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company in the annual financial statements;
- they assess the appropriateness of the Management Company’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund’s ability to continue as a going concern. This assessment is based on the items collected up to the date of the audit report, on the understanding that subsequent events or circumstances may affect viability as a going concern. If they conclude that significant uncertainty exists, they draw the attention of the reader of the report to the information provided in the annual financial statements about this uncertainty or, if this information is not provided or is not relevant, they issue a certification with reserve or a refusal to certify;

- they appraise the overall presentation of the annual financial statements and assess whether said statements reflect the transactions and underlying events, and thus provide a true and fair view thereof.

Paris La Défense, 13 July 2023

Statutory Auditor

Deloitte & Associés

[signature]

Olivier Galienne

5. Annual financial statements

a) Annual financial statements

■ BALANCE SHEET – ASSETS AT 31/03/2023 IN EUR

	31/03/2023	31/03/2022
NET FIXED ASSETS	**0.00**	**0.00**
DEPOSITS	**0.00**	**0.00**
FINANCIAL INSTRUMENTS	**39,023,312.88**	**35,162,282.93**
Equities and equivalent securities	**0.00**	**0.00**
Traded on a regulated or equivalent market	0.00	0.00
Not traded on a regulated or equivalent market	0.00	0.00
Bonds and equivalent securities	**38,973,467.38**	**35,091,495.74**
Traded on a regulated or equivalent market	38,973,467.38	35,091,495.74
Not traded on a regulated or equivalent market	0.00	0.00
Debt securities	**0.00**	**0.00**
Traded on a regulated or equivalent market	0.00	0.00
Negotiable debt securities	0.00	0.00
Other debt securities	0.00	0.00
Not traded on a regulated or equivalent market	0.00	0.00
Undertakings for collective investment	**44,535.50**	**44,222.19**
General-purpose UCITS and AIFs intended for non-professionals, and equivalents in other countries	44,535.50	44,222.19
Other funds intended for non-professionals, and equivalents in other EU Member States	0.00	0.00
General-purpose investment funds intended for professionals, equivalents in other EU Member States and listed securitisation vehicles	0.00	0.00
Other professional investment funds and their equivalents in other EU Member States and unlisted securitisation vehicles	0.00	0.00
Other non-European undertakings	0.00	0.00
Temporary securities transactions	**0.00**	**0.00**
Receivables on securities received under repurchase agreements	0.00	0.00
Receivables on loaned securities	0.00	0.00
Borrowed securities	0.00	0.00
Securities transferred under repurchase agreements	0.00	0.00
Other temporary transactions	0.00	0.00
Forward financial instruments	**5,310.00**	**26,565.00**
Transactions on a regulated or equivalent market	5,310.00	26,565.00
Other transactions	0.00	0.00
Other financial instruments	**0.00**	**0.00**
RECEIVABLES	**93,452.80**	**10,312.94**
Forward foreign exchange transactions	0.00	0.00
Other	93,452.80	10,312.94
FINANCIAL ACCOUNTS	**735,565.73**	**85,530.17**
Cash and cash equivalents	735,565.73	85,530.17
TOTAL ASSETS	**39,852,331.41**	**35,258,126.04**

5. Annual financial statements

■ BALANCE SHEET – LIABILITIES AT 31/03/2023 IN EUR

	31/03/2023	31/03/2022
SHAREHOLDERS' EQUITY		
Capital	40,802,268.69	35,895,709.91
Undistributed prior net profits and losses (a)	0.00	0.00
Retained earnings (a)	29.63	60.49
Net profits and losses for the financial year (a, b)	-1,483,386.71	-1,456,935.09
Income for the financial year (a, b)	503,104.64	781,593.71
TOTAL SHAREHOLDERS' EQUITY*	**39,822,016.25**	**35,220,429.02**
** Amount representative of net assets*		
FINANCIAL INSTRUMENTS	**5,310.15**	**26,565.00**
Sales of financial instruments	0.00	0.00
Temporary securities transactions	0.00	0.00
Payables on securities transferred under repurchase agreements	0.00	0.00
Payables on borrowed securities	0.00	0.00
Other temporary transactions	0.00	0.00
Forward financial instruments	5,310.15	26,565.00
Transactions on a regulated or equivalent market	5,310.15	26,565.00
Other transactions	0.00	0.00
PAYABLES	**25,004.53**	**11,131.52**
Forward foreign exchange transactions	0.00	0.00
Other	25,004.53	11,131.52
FINANCIAL ACCOUNTS	**0.48**	**0.50**
Current bank loans	0.48	0.50
Borrowings	0.00	0.00
TOTAL LIABILITIES	**39,852,331.41**	**35,258,126.04**

(a) Including adjustments.
(b) Minus interim dividends paid over the financial year.

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■ OFF-BALANCE SHEET ITEMS AT 31/03/2023 IN EUR

	31/03/2023	31/03/2022
HEDGING TRANSACTIONS		
Commitments on regulated or equivalent markets		
Futures contracts		
SHORT EUR-BTP 0623	3,161,100.00	0.00
EURO SCHATZ 0622	0.00	2,325,435.00
EURO SCHATZ 0623	3,276,545.00	0.00
XEUR FBTP BTP 0623	461,400.00	0.00
Commitments on over-the-counter markets		
Other commitments		
OTHER TRANSACTIONS		
Commitments on regulated or equivalent markets		
Commitments on over-the-counter markets		
Other commitments		

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■ INCOME STATEMENT AT 31/03/2023 IN EUR

	31/03/2023	31/03/2022
Income from financial transactions		
Income from deposits and financial accounts	841.54	0.00
Income from equities and equivalent securities	0.00	0.00
Income from bonds and equivalent securities	589,092.99	911,830.43
Income from debt securities	0.00	0.00
Income from securities financing transactions	0.00	0.00
Income from forward financial instruments	0.00	0.00
Other financial income	0.00	0.00
TOTAL (1)	**589,934.53**	**911,830.43**
Expenses on financial transactions		
Expenses on temporary acquisitions and sales of securities	0.00	0.00
Expenses on forward financial instruments	0.00	0.00
Expenses on financial debt	675.89	793.15
Other financial expenses	0.00	0.00
TOTAL (2)	**675.89**	**793.15**
PROFIT/LOSS FROM FINANCIAL TRANSACTIONS (1 - 2)	**589,258.64**	**911,037.28**
Other income (3)	0.00	0.00
Management fees and provisions for depreciation and amortisation (4)	110,690.01	115,274.85
NET PROFIT/LOSS FOR THE FINANCIAL YEAR (L. 214-17-1) (1 - 2 + 3 - 4)	**478,568.63**	**795,762.43**
Income equalisation for the financial year (5)	24,536.01	-14,168.72
Interim dividends paid over the financial year (6)	0.00	0.00
PROFIT/LOSS (1 - 2 + 3 - 4 + 5 - 6)	**503,104.64**	**781,593.71**

5. Annual financial statements

b) Annual financial statements – Notes

1. Accounting rules and methods

The annual financial statements are presented in the form provided for by ANC Regulation 2014-01, as amended.

The following general accounting principles apply:
- a true and fair view, comparability and business continuity;
- lawfulness and fairness;
- prudence;
- consistency in accounting methods from one financial year to the next.

Income from fixed income securities is recorded using the accrued interest method.

Purchases and sales of securities are recorded exclusive of fees.
The reference currency of the portfolio is the euro.
The financial year covers the period from 1 April 2022 to 31 March 2023.

Asset valuation rules

Financial instruments are recorded using the historical cost method and entered in the balance sheet at their current value, i.e. at their last known market value, or, where there is no market, via any external method or using financial modelling.
Differences between the current values used to calculate the net asset value (NAV) and the historical costs of transferable securities when these were first included in the portfolio are recorded in the accounts as “valuation differences”.
Securities denominated in currencies other than the portfolio’s reference currency are valued in accordance with the principle outlined below, and then converted into the portfolio’s reference currency at the exchange rate on the valuation date.

Deposits:

Deposits with a residual life of three months or less are valued on a straight-line basis.

Equities, bonds and other securities traded on a regulated or equivalent market:

To calculate the net asset value, equities and other securities traded on a regulated or equivalent market are valued based on the final stock market price of the day.
Bonds and equivalent securities are valued at the closing price notified by various financial service providers. Interest accrued on bonds and equivalent securities is calculated up to the net asset value date.

5. Annual financial statements

Equities, bonds and other securities not traded on a regulated or equivalent market:

Securities not traded on a regulated market are valued by the Management Company using methods based on asset value and return, taking into account the prices used in recent significant transactions.

Negotiable debt securities:

Negotiable debt securities and equivalent securities that are not traded in large volumes are valued using an actuarial method based on a reference rate as defined below, which is adjusted, where applicable, by a differential that is representative of the intrinsic characteristics of the issuer:

- Negotiable debt securities maturing in one year or less: Euro Interbank Offered Rate (Euribor);
- Negotiable debt securities maturing in more than one year: Rates for French Treasury Bills (BTAN) or equivalent bonds (OAT) with similar maturity dates for longer durations.

Negotiable debt securities with a residual life of three months or less may be valued on a straight-line basis.

French treasury bills are valued at the market rate published daily by the Banque de France or treasury bill specialists.

UCIs held:

UCI units or shares will be valued at the last known net asset value.

Temporary securities transactions:

Securities received under repurchase agreements are recorded at the contracted amount, plus any accrued interest receivable, under assets in the heading “Receivables on securities received under repurchase agreements”.

Securities transferred under repurchase agreements are recognised in the long portfolio at their current value. Payables on securities transferred under repurchase agreements are recognised in the short portfolio at the contractual value plus any accrued interest payable.

Loaned securities are valued at their current value and are recorded as assets at their current value, plus accrued interest receivable, under the “Receivables on loaned securities”.

Borrowed securities are recorded as assets under the “Borrowed securities” item at the contracted amount, and as liabilities under the “Payables on borrowed securities” item at the contracted amount, plus any accrued interest payable.

Forward financial instruments:

Forward financial instruments traded on a regulated or equivalent market:

Forward financial instruments traded on a regulated market are valued at the day’s settlement price.

Forward financial instruments not traded on a regulated or equivalent market:

Swaps:

Interest rate and/or currency swaps are valued at their market value on the basis of a price calculated by discounting future interest flows at market interest rates and/or exchange rates. The resulting price is then adjusted for issuer risk.

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Index swaps are valued using an actuarial method based on a reference rate supplied by the counterparty.

Other swaps are valued at their market value or at an estimated value in accordance with the methods established by the Management Company.

Off-balance sheet commitments:

Futures contracts are recorded as off-balance sheet commitments at their market value based on the price used in the portfolio.
Options are recognised at a value equivalent to that of their underlying assets.
Swap commitments are recorded at their nominal value or, where there is no nominal value, at an equivalent amount.

Management fees

Operating and management fees cover all fees relating to the UCI: fees for financial management, administration, accounting, custody, distribution, auditing services etc.
These fees are recorded in the income statement for the UCI.
Management fees do not include transaction fees. For more information about the fees charged to the UCI, please see the prospectus.

These are recorded pro rata temporis at each net asset value calculation.

The combined total of these fees is limited to the maximum fee rate for net assets, as indicated in the prospectus or the Fund regulations:
FR0013381050 - OSTRUM SRI EURO BONDS 1-3 R D unit: Maximum fee rate of 0.70% including tax.
FR0010655431 - OSTRUM SRI EURO BONDS 1-3 M C unit: Maximum fee rate of 0.20% including tax.
FR0010657387 - OSTRUM SRI EURO BONDS 1-3 R C unit: Maximum fee rate of 0.70% including tax.
FR0010208421 - OSTRUM SRI EURO BONDS 1-3 I unit: Maximum fee rate of 0.40% including tax.

Swing pricing

On 10 October 2016, the Management Company implemented a method of adjusting the net asset value (NAV) with a trigger threshold.
This mechanism means that investors subscribing to or redeeming units must bear the costs relating to transactions made using the Fund’s assets as a result of the movement (subscription/redemption) of Fund liabilities. This mechanism, supported by a policy, is designed to protect the investors who remain in the Fund by ensuring that they bear the lowest possible charges. This results in the calculation of an adjusted (“swung”) NAV.
This means that if, on a NAV calculation day, the total number of net subscription/redemption orders from investors across all unit classes of the Fund exceeds a predetermined threshold based on the objective criteria set out by the Management Company, as a percentage of net assets, the NAV can be adjusted upwards or downwards to take into account the readjustment costs attributable to the respective net subscription/redemption orders. If the Fund issues more than one unit class, the NAV of each unit class is calculated separately, but any adjustment has the same impact on the total NAV of the unit classes of the Fund.

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The readjustment cost and trigger threshold parameters are determined by the Management Company and periodically reviewed. These costs are estimated by the Management Company based on the transaction fees, the bid-ask spreads and any taxes applicable to the Fund.

It is not possible to accurately predict whether the swing pricing mechanism will be applied in the future, or the frequency with which the Management Company will make such adjustments.

Investors are notified that the volatility of the Fund's NAV cannot reflect only that of the securities held in the portfolio because of the application of the adjustment mechanism.

The “swung” NAV is the Fund's only net asset value and the only one communicated to the Fund's unitholders. However, if there is a performance fee, this is calculated based on the NAV before the swing pricing mechanism is applied.

Allocation of distributable income

Definition of distributable income

Distributable income consists of:

Income:

The net income for the financial year is equal to the interest, arrears, premiums and bonuses, dividends, directors' fees and all other income generated by the securities held in the portfolio, plus income generated by temporary cash holdings, less management fees and borrowing costs.
It is increased by retained earnings and increased or reduced by the balance of the accrual account.

Profits and losses:

The profits realised, net of fees, less the losses realised, net of fees, recorded in the financial year, plus the net profits of the same type recognised in previous years that have not been distributed or accumulated, plus or minus the balance of the profit/loss equalisation account.

Allocation of distributable income:

Units	*Allocation of net income*	*Allocation of net realised profits or losses*
OSTRUM SRI EURO BONDS 1-3 I unit	Accumulation	Accumulation
OSTRUM SRI EURO BONDS 1-3 M C unit	Accumulation	Accumulation
OSTRUM SRI EURO BONDS 1-3 R C unit	Accumulation	Accumulation
OSTRUM SRI EURO BONDS 1-3 R D unit	Distribution	Accumulation

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■ 2. CHANGE IN NET ASSETS AT 31/03/2023 IN EUR

	31/03/2023	31/03/2022
NET ASSETS AT THE START OF THE FINANCIAL YEAR	**35,220,429.02**	**41,873,110.23**
Subscriptions (including subscription fees accruing to the UCI)	11,125,875.25	6,488,842.35
Redemptions (less redemption fees accruing to the UCI)	-5,070,215.02	-12,424,874.22
Profits realised on deposits and financial instruments	39,305.97	42,579.04
Losses realised on deposits and financial instruments	-1,490,584.68	-1,497,877.19
Profits realised on forward financial instruments	623,332.79	2,310.00
Losses realised on forward financial instruments	-598,365.26	-12,230.00
Transaction fees	-13,558.69	-9,870.52
Exchange rate differences	0.02	-0.01
Changes in the valuation difference for deposits and financial instruments	-446,138.00	-29,068.18
Valuation difference, financial year N	*-1,411,747.17*	*-965,609.17*
Valuation difference, financial year N-1	*965,609.17*	*936,540.99*
Changes in the valuation difference for forward financial instruments	-22,670.00	26,565.00
Valuation difference, financial year N	*3,895.00*	*26,565.00*
Valuation difference, financial year N-1	*-26,565.00*	*0.00*
Dividends paid in the previous financial year on net profits and losses	0.00	0.00
Dividends paid in the previous financial year on income	-23,913.78	-34,771.19
Net income for the financial year before accruals	478,568.63	795,762.43
Interim dividend(s) paid during the financial year on net profits and losses	0.00	0.00
Interim dividend(s) paid during the financial year on income	0.00	0.00
Other items	-50.00 (**)	-48.72(*)
NET ASSETS AT THE END OF THE FINANCIAL YEAR	**39,822,016.25**	**35,220,429.02**

(**) 31/03/2023: Annual certification fee for an LEI: €-50.00

(*) 31/03/2022: Annual certification fee for an LEI: -€50.00 and result of OSTRUM PREMIERE MT merger for €1.28.

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■ 3. ADDITIONAL INFORMATION

■ 3.1. BREAKDOWN OF FINANCIAL INSTRUMENTS BY LEGAL OR ECONOMIC TYPE

	Amount	%
ASSETS		
BONDS AND EQUIVALENT SECURITIES		
Other bonds (indexed, equity securities)	1,214,314.09	3.05
Fixed-rate bonds traded on a regulated or equivalent market	37,759,153.29	94.82
TOTAL BONDS AND EQUIVALENT SECURITIES	**38,973,467.38**	**97.87**
DEBT SECURITIES		
TOTAL DEBT SECURITIES	**0.00**	**0.00**
LIABILITIES		
SALES OF FINANCIAL INSTRUMENTS		
TOTAL SALES OF FINANCIAL INSTRUMENTS	**0.00**	**0.00**
OFF-BALANCE SHEET ITEMS		
HEDGING TRANSACTIONS		
Interest rate	6,899,045.00	17.32
TOTAL HEDGING TRANSACTIONS	**6,899,045.00**	**17.32**
OTHER TRANSACTIONS		
TOTAL OTHER TRANSACTIONS	**0.00**	**0.00**

■ 3.2. BREAKDOWN OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS BY RATE TYPE

	Fixed rate	%	Variable rate	%	Adjustable rate	%	Other	%
ASSETS								
Deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds and equivalent securities	37,759,153.29	94.82	0.00	0.00	0.00	0.00	1,214,314.09	3.05
Debt securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Temporary securities transactions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial accounts	0.00	0.00	0.00	0.00	0.00	0.00	735,565.73	1.85
LIABILITIES								
Temporary securities transactions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial accounts	0.00	0.00	0.00	0.00	0.00	0.00	0.48	0.00
OFF-BALANCE SHEET ITEMS								
Hedging transactions	6,899,045.00	17.32	0.00	0.00	0.00	0.00	0.00	0.00
Other transactions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

5. Annual financial statements

■ 3.3. BREAKDOWN OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS BY RESIDUAL MATURITY(*)

	< 3 months	%	]3 months - 1 year]	%	]1 - 3 years]	%	]3 - 5 years]	%	> 5 years	%
ASSETS										
Deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds and equivalent securities	1,022,438.36	2.57	4,419,106.44	11.10	28,651,061.95	71.95	2,707,677.72	6.80	2,173,182.91	5.46
Debt securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Temporary securities transactions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial accounts	735,565.73	1.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LIABILITIES										
Temporary securities transactions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial accounts	0.48	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OFF-BALANCE SHEET ITEMS										
Hedging transactions	0.00	0.00	0.00	0.00	6,437,645.00	16.17	0.00	0.00	461,400.00	1.16
Other transactions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

(*) Positions in interest rate futures are shown based on the maturity of the underlying asset.

■ 3.4. BREAKDOWN OF ASSETS, LIABILITIES AND OFF-BALANCE SHEET ITEMS BY LISTING OR VALUATION CURRENCY (NON-EURO)

	Currency 1 GBP		Currency 2		Currency 3		Currency N OTHER(S)	
	Amount	%	Amount	%	Amount	%	Amount	%
ASSETS								
Deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Equities and equivalent securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds and equivalent securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
UCIs	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Temporary securities transactions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial accounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LIABILITIES								
Sales of financial instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Temporary securities transactions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Payables	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Financial accounts	0.48	0.00	0.00	0.00	0.00	0.00	0.00	0.00
OFF-BALANCE SHEET ITEMS								
Hedging transactions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other transactions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

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■ 3.5. RECEIVABLES AND PAYABLES: BREAKDOWN BY TYPE

	Type of debit/credit	31/03/2023
RECEIVABLES		
	Cash collateral deposits	93,452.80
TOTAL RECEIVABLES		**93,452.80**
PAYABLES		
	Redemptions payable	13,845.40
	Fixed management fees	11,159.13
TOTAL PAYABLES		**25,004.53**
TOTAL PAYABLES AND RECEIVABLES		**68,448.27**

■ 3.6. SHAREHOLDERS' EQUITY

• 3.6.1. Number of securities issued or redeemed

	Units	Amount
OSTRUM SRI EURO BONDS 1-3 I unit		
Units subscribed during the financial year	3,314.8482	10,365,346.40
Units redeemed during the financial year	-1,129.0335	-3,483,687.51
Net subscriptions/redemptions	2,185.8147	6,881,658.89
Number of units outstanding at the end of the financial year	9,430.0513	
OSTRUM SRI EURO BONDS 1-3 M C unit		
Units subscribed during the financial year	120.0000	261,848.40
Units redeemed during the financial year	-130.0000	-284,315.80
Net subscriptions/redemptions	-10.0000	-22,467.40
Number of units outstanding at the end of the financial year	490.0000	
OSTRUM SRI EURO BONDS 1-3 R C unit		
Units subscribed during the financial year	4,700.6497	498,680.45
Units redeemed during the financial year	-11,654.7342	-1,236,276.52
Net subscriptions/redemptions	-6,954.0845	-737,596.07
Number of units outstanding at the end of the financial year	83,395.9295	
OSTRUM SRI EURO BONDS 1-3 R D unit		
Units subscribed during the financial year	0.00	0.00
Units redeemed during the financial year	-755.5090	-65,935.19
Net subscriptions/redemptions	-755.5090	-65,935.19
Number of units outstanding at the end of the financial year	12,257.4927	

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• 3.6.2. Subscription and/or redemption fees

	Amount
OSTRUM SRI EURO BONDS 1-3 I unit	
Total subscription and/or redemption fees accrued	0.00
Subscription fees accrued	0.00
Redemption fees accrued	0.00
OSTRUM SRI EURO BONDS 1-3 M C unit	
Total subscription and/or redemption fees accrued	0.00
Subscription fees accrued	0.00
Redemption fees accrued	0.00
OSTRUM SRI EURO BONDS 1-3 R C unit	
Total subscription and/or redemption fees accrued	0.00
Subscription fees accrued	0.00
Redemption fees accrued	0.00
OSTRUM SRI EURO BONDS 1-3 R D unit	
Total subscription and/or redemption fees accrued	0.00
Subscription fees accrued	0.00
Redemption fees accrued	0.00

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■ 3.7. MANAGEMENT FEES

	31/03/2023
OSTRUM SRI EURO BONDS 1-3 I units	
Guarantee fees	0.00
Fixed management fees	54,454.21
Percentage of fixed management fees	0.20
Retrocessions of management fees	0.00
OSTRUM SRI EURO BONDS 1-3 M C units	
Guarantee fees	0.00
Fixed management fees	2,060.30
Percentage of fixed management fees	0.20
Retrocessions of management fees	0.00
OSTRUM SRI EURO BONDS 1-3 R C units	
Guarantee fees	0.00
Fixed management fees	48,374.44
Percentage of fixed management fees	0.52
Retrocessions of management fees	0.00
OSTRUM SRI EURO BONDS 1-3 R D units	
Guarantee fees	0.00
Fixed management fees	5,801.06
Percentage of fixed management fees	0.52
Retrocessions of management fees	0.00

■ 3.8. COMMITMENTS RECEIVED AND GIVEN

• 3.8.1. Guarantees received by the UCI:

None.

• 3.8.2. Other commitments received and/or given:

None.

5. Annual financial statements

■ 3.9. OTHER INFORMATION

• 3.9.1. Current value of financial instruments acquired under securities financing transactions

	31/03/2023
Securities received under reverse repurchase agreements	0.00
Borrowed securities	0.00

• 3.9.2. Current value of financial instruments constituting collateral deposits

	31/03/2023
Financial instruments given as collateral and retained under their original entry	0.00
Financial instruments received as collateral and not posted in the balance sheet	0.00

• 3.9.3. Financial instruments held, issued and/or managed by the Group

	ISIN code	Denomination	31/03/2023
Equities			0.00
Bonds			0.00
Negotiable debt securities			0.00
UCIs			44,535.50
	FR0010322438	OSTRUM SRI CASH A1P1 IC units	44,535.50
Forward financial instruments			0.00
Total Group securities			**44,535.50**

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■ 3.10. ALLOCATION OF DISTRIBUTABLE INCOME

• Allocation table for the portion of distributable income relating to profit/loss

	31/03/2023	31/03/2022
Amounts still to be allocated		
Retained earnings	29.63	60.49
Income	503,104.64	781,593.71
Interim dividends paid on income for the financial year	0.00	0.00
Total	**503,134.27**	**781,654.20**

	31/03/2023	31/03/2022
OSTRUM SRI EURO BONDS 1-3 I unit		
Allocation		
Distribution	0.00	0.00
Retained earnings for the financial year	0.00	0.00
Accumulation	388,760.20	535,036.56
Total	**388,760.20**	**535,036.56**

	31/03/2023	31/03/2022
OSTRUM SRI EURO BONDS 1-3 M C unit		
Allocation		
Distribution	0.00	0.00
Retained earnings for the financial year	0.00	0.00
Accumulation	14,306.73	26,152.98
Total	**14,306.73**	**26,152.98**

	31/03/2023	31/03/2022
OSTRUM SRI EURO BONDS 1-3 R C unit		
Allocation		
Distribution	0.00	0.00
Retained earnings for the financial year	0.00	0.00
Accumulation	89,202.66	196,489.35
Total	**89,202.66**	**196,489.35**

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	31/03/2023	31/03/2022
OSTRUM SRI EURO BONDS 1-3 R D unit		
Allocation		
Distribution	10,786.59	23,943.92
Retained earnings for the financial year	78.09	31.39
Accumulation	0.00	0.00
Total	**10,864.68**	**23,975.31**
Information on units with distribution rights		
Number of units	12,257.4927	13,013.0017
Distribution per unit	0.88	1.84
Tax credit		
Tax credit relating to the distribution of income	**0.00**	**0.00**

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• Allocation table for the portion of distributable income relating to net profits and losses

	31/03/2023	31/03/2022
Amounts still to be allocated		
Undistributed prior net profits and losses	0.00	0.00
Net profits and losses for the financial year	-1,483,386.71	-1,456,935.09
Interim dividends paid on net profits and losses for the financial year	0.00	0.00
Total	**-1,483,386.71**	**-1,456,935.09**

	31/03/2023	31/03/2022
OSTRUM SRI EURO BONDS 1-3 I unit		
Allocation		
Distribution	0.00	0.00
Undistributed net profits and losses	0.00	0.00
Accumulation	-1,078,283.99	-952,916.27
Total	**-1,078,283.99**	**-952,916.27**

	31/03/2023	31/03/2022
OSTRUM SRI EURO BONDS 1-3 M C unit		
Allocation		
Distribution	0.00	0.00
Undistributed net profits and losses	0.00	0.00
Accumulation	-39,690.44	-46,593.04
Total	**-39,690.44**	**-46,593.04**

	31/03/2023	31/03/2022
OSTRUM SRI EURO BONDS 1-3 R C unit		
Allocation		
Distribution	0.00	0.00
Undistributed net profits and losses	0.00	0.00
Accumulation	-325,961.52	-407,944.30
Total	**-325,961.52**	**-407,944.30**

5. Annual financial statements

	31/03/2023	31/03/2022
OSTRUM SRI EURO BONDS 1-3 R D unit		
Allocation		
Distribution	0.00	0.00
Undistributed net profits and losses	0.00	0.00
Accumulation	-39,450.76	-49,481.48
Total	**-39,450.76**	**-49,481.48**

5. Annual financial statements

3.11. TABLE OF RESULTS AND OTHER SIGNIFICANT ITEMS OVER THE LAST FIVE FINANCIAL YEARS

	29/03/2019	31/03/2020	31/03/2021	31/03/2022	31/03/2023
Total net assets in EUR	**60,987,194.18**	**36,562,639.17**	**41,873,110.23**	**35,220,429.02**	**39,822,016.25**
OSTRUM SRI EURO BONDS 1-3 I unit in EUR					
Net assets	43,282,478.97	22,085,316.42	23,955,927.89	23,053,140.82	28,955,207.39
Number of securities	13,277.0355	6,834.2040	7,396.9227	7,244.2366	9,430.0513
Net asset value per unit	3,259.95	3,231.58	3,238.63	3,182.27	3,070.52
Accumulation per unit from net profits/losses	-140.97	-117.20	-114.58	-131.54	-114.34
Accumulation per unit from income	96.07	81.88	94.03	73.85	41.22
OSTRUM SRI EURO BONDS 1-3 M C unit in EUR					
Net assets	2,299.54	2,284.48	1,280,179.16	1,127,143.15	1,065,808.29
Number of securities	1.0000	1.0000	558.0000	500.0000	490.0000
Net asset value per unit	2,299.54	2,284.48	2,294.22	2,254.28	2,175.11
Accumulation per unit from net profits/losses	-99.32	-82.71	-81.09	-93.18	-81.00
Accumulation per unit from income	68.44	63.15	71.08	52.30	29.19
OSTRUM SRI EURO BONDS 1-3 R C unit in EUR					
Net assets	15,999,883.00	12,946,224.87	15,319,888.29	9,847,392.54	8,742,259.08
Number of securities	142,101.4935	116,285.0837	137,654.6799	90,350.0140	83,395.9295
Net asset value per unit	112.59	111.33	111.29	108.99	104.82
Accumulation per unit from net profits/losses	-4.87	-4.04	-3.94	-4.51	-3.90
Accumulation per unit from income	3.04	2.55	2.96	2.17	1.06

5. Annual financial statements

■ 3.11. TABLE OF RESULTS AND OTHER SIGNIFICANT ITEMS OVER THE LAST FIVE FINANCIAL YEARS

	29/03/2019	31/03/2020	31/03/2021	31/03/2022	31/03/2023
OSTRUM SRI EURO BONDS 1-3 R D unit in EUR					
Net assets	1,702,532.67	1,528,813.40	1,317,114.89	1,192,752.51	1,058,741.49
Number of securities	17,028.2803	15,527.9337	13,695.2398	13,013.0017	12,257.4927
Net asset value per unit	99.98	98.45	96.17	91.65	86.37
Accumulation per unit from net profits/losses	-0.37	-3.58	-3.43	-3.80	-3.21
Distribution per unit from income	0.42	2.26	2.58	1.84	0.88
Tax credit per unit	0.00	0.00	0.00	0.00	0.00

5. Annual financial statements

■ 3.12. DETAILED INVENTORY OF FINANCIAL INSTRUMENTS IN EUR

Name of security	Currency	Quantity (number or nominal value)	Current value	% of net assets
Bonds and equivalent securities				
Bonds and equivalent securities traded on a regulated or equivalent market				
GERMANY				
GERMANY 0.1% 15/04/26 IND	EUR	1,000,000	1,214,314.09	3.05
BUNDSOBLIGATION 0.0% 10/10/25	EUR	7,100,000	6,678,828.00	16.77
BUNDSOBLIGATION 1.3% 15/10/27	EUR	300,000	290,379.41	0.73
KFW 0.0% 02-04-24 EMTN	EUR	1,000,000	970,280.00	2.44
KFW 0.05% 30-05-24 EMTN	EUR	1,000,000	967,233.29	2.43
KREDITANSTALT FUER WIEDERAUFBAU KFW 0.125% 30/06/25	EUR	1,000,000	940,862.05	2.36
KREDITANSTALT FUER WIEDERAUFBAU KFW 3.125% 07/06/30	EUR	600,000	612,499.40	1.54
KREDITANSTALT WIEDER KFW ZCP 15-09-23	EUR	1,000,000	986,860.00	2.48
TOTAL GERMANY			**12,661,256.24**	**31.80**
BELGIUM				
EUROPEAN UNION 0.8% 04/07/25	EUR	2,100,000	2,015,150.79	5.06
EUROPEAN UNION 1.625% 04/12/29	EUR	700,000	649,198.89	1.63
TOTAL BELGIUM			**2,664,349.68**	**6.69**
SPAIN				
SPAIN 1.6% 30-04-25	EUR	3,400,000	3,366,102.93	8.45
INSTITUTO DE CREDITO OFICIAL 0.2% 31-01-24	EUR	500,000	487,722.60	1.23
SPAIN GOVERNMENT BOND 0.0% 31/05/25	EUR	2,350,000	2,208,647.50	5.54
SPAIN GOVERNMENT BOND 2.8% 31/05/26	EUR	1,200,000	1,202,984.22	3.02
TOTAL SPAIN			**7,265,457.25**	**18.24**
FINLAND				
RFGB 0 09/15/24	EUR	210,000	201,509.70	0.51
TOTAL FINLAND			**201,509.70**	**0.51**
FRANCE				
BPIFRANCE FINANCEMENT 0.125% 25-11-23	EUR	1,000,000	979,975.21	2.46
CADES 0.125% 25-10-23 EMTN	EUR	1,000,000	983,491.37	2.47
UNEDIC 2.25% 05-04-23 EMTN	EUR	1,000,000	1,022,438.36	2.57
UNIO NAT 0.25% 24-11-23 EMTN	EUR	1,000,000	981,057.26	2.46
TOTAL FRANCE			**3,966,962.20**	**9.96**
GREECE				
HELLENIC REPUBLIC GOVERNMENT BOND 4.25% 15/06/33	EUR	900,000	911,484.62	2.28
TOTAL GREECE			**911,484.62**	**2.28**
ITALY				
BUONI 3.75% 01/09/24	EUR	4,000,000	4,042,458.70	10.15
ITALY 2.5% 01/12/24	EUR	250,000	249,476.62	0.63
ITALY BUONI POLIENNALI DEL TESORO 0.0% 15/12/24	EUR	1,000,000	947,820.00	2.38
ITALY BUONI POLIENNALI DEL TESORO 1.45% 15/11/24	EUR	6,100,000	5,972,252.18	15.00
TOTAL ITALY			**11,212,007.50**	**28.16**
NETHERLANDS				
NETHER 2 07/15/24	EUR	90,000	90,440.19	0.23
TOTAL NETHERLANDS			**90,440.19**	**0.23**

5. Annual financial statements

3.12. DETAILED INVENTORY OF FINANCIAL INSTRUMENTS IN EUR

Name of security	Currency	Quantity (number or nominal value)	Current value	% of net assets
TOTAL Bonds and equivalent securities traded on a regulated or equivalent market			**38,973,467.38**	**97.87**
TOTAL Bonds and equivalent securities			**38,973,467.38**	**97.87**
Undertakings for collective investment				
General-purpose UCITS and AIFs intended for non-professionals, and equivalents in other countries				
FRANCE				
OSTRUM SRI CASH A1P1 IC units	EUR	0.3845	44,535.50	0.11
TOTAL FRANCE			**44,535.50**	**0.11**
TOTAL Retail UCITS and AIFs and their equivalents in other countries intended for non-professional investors			**44,535.50**	**0.11**
TOTAL Undertakings for collective investment			**44,535.50**	**0.11**
Forward financial instruments				
Futures commitments				
Futures commitments on a regulated or equivalent market				
EURO SCHATZ 0623	EUR	-31	-1,415.00	0.00
SHORT EUR-BTP 0623	EUR	-30	150.00	0.00
XEUR FBTP BTP 0623	EUR	-4	5,160.00	0.01
TOTAL Futures commitments on a regulated or equivalent market			**3,895.00**	**0.01**
TOTAL Futures commitments			**3,895.00**	**0.01**
TOTAL Forward financial instruments			**3,895.00**	**0.01**
Margin calls				
CACEIS MARGIN CALL	EUR	-3,895.15	-3,895.15	-0.01
TOTAL Margin calls			**-3,895.15**	**-0.01**
Receivables			**93,452.80**	**0.24**
Payables			**-25,004.53**	**-0.07**
Financial accounts			**735,565.25**	**1.85**
Net assets			**39,822,016.25**	**100.00**

5. Annual financial statements

■ Additional information about the coupon tax system

Coupon breakdown: OSTRUM SRI EURO BONDS 1-3 R D unit

	TOTAL NET	CURRENCY	NET PER UNIT	CURRENCY
Income subject to compulsory non-definitive withholding tax	10,786.59	EUR	0.88	EUR
Shares giving entitlement to reductions and subject to compulsory non-definitive withholding tax	0.00		0.00	
Other income not giving entitlement to reductions and subject to compulsory non-definitive withholding tax	0.00		0.00	
Non-reportable and non-taxable income	0.00		0.00	
Amount distributed on profits and losses	0.00		0.00	
TOTAL	10,786.59	EUR	0.88	EUR

6. Note(s) to the Financial Statements

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: **OSTRUM SRI EURO BONDS 1-3**
Legal entity identifier: 969500KKGUT4N1VNBA75

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities.** That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?	
☐ Yes	☒ No
☐ It made **sustainable investments with an environmental objective**: ___% ☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy ☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	X It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of 20.30% of sustainable investments. ☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy ☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy ☐ with a social objective
☐ It made **sustainable investments with a social objective:** ___%	☐ It promoted E/S characteristics, but **did not make any sustainable investments**

To what extent were the environmental and/or social characteristics promoted by this financial product met?

The Fund promoted environmental and social characteristics that are based on the following approach:

- Exclude controversial issuers through the exclusion policies of the delegated financial manager;
- Hold at least 5% in sustainable investments;
- Select the highest rated issuers according to an ESG rating with the objective to:
    - Maintain an average ESG rating for the portfolio that is better than that of the filtered initial investment universe*;
    - Maintain the carbon intensity of the portfolio below that of the initial investment universe;
    - Maintain an indicator of expenditure on health and education that is better than that of the initial investment universe.

*Filtered initial investment universe means the initial investment universe (securities issued or guaranteed by the countries of the European Economic Area (EEA), or issued by supranational agencies, whether they are fixed-rate, variable-rate or inflation-indexed securities) from which 20% of the issuers with the lowest ESG assessments within each issuer category are excluded (including the most controversial issuers according to Ostrum's exclusion policies, as well as the lowest-rated issuers) and sovereign debt

These calculations were made excluding non-eligible assets within the meaning of the SRI label.

For example, non-financial criteria used may include the following:

- Social: Public spending on education (% of GDP): General public spending on education (current, in capital and transfers) is expressed as a percentage of GDP. It includes spending financed by transfers from international sources to the government. Public authorities generally refer to local, regional and central authorities. (Source: World Bank)
- Governance: The proportion of seats occupied by women in national parliaments (%). Women in parliament is the percentage of parliament seats in a single or lower house held by women.
- Environment: carbon intensity

No reference index has been designated with the aim of achieving the environmental or social characteristics promoted by the Fund.

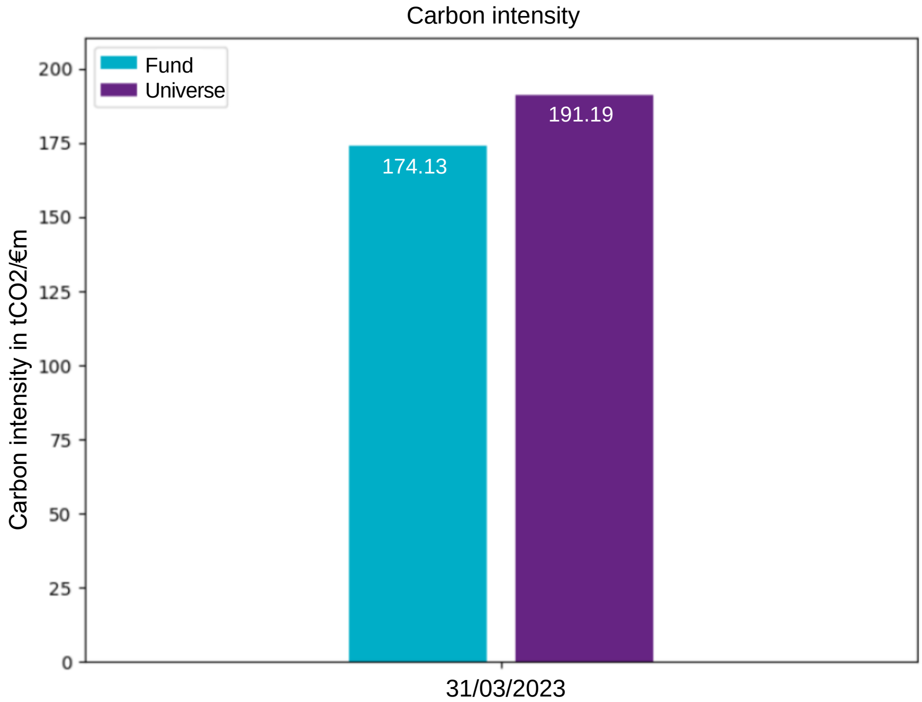
Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

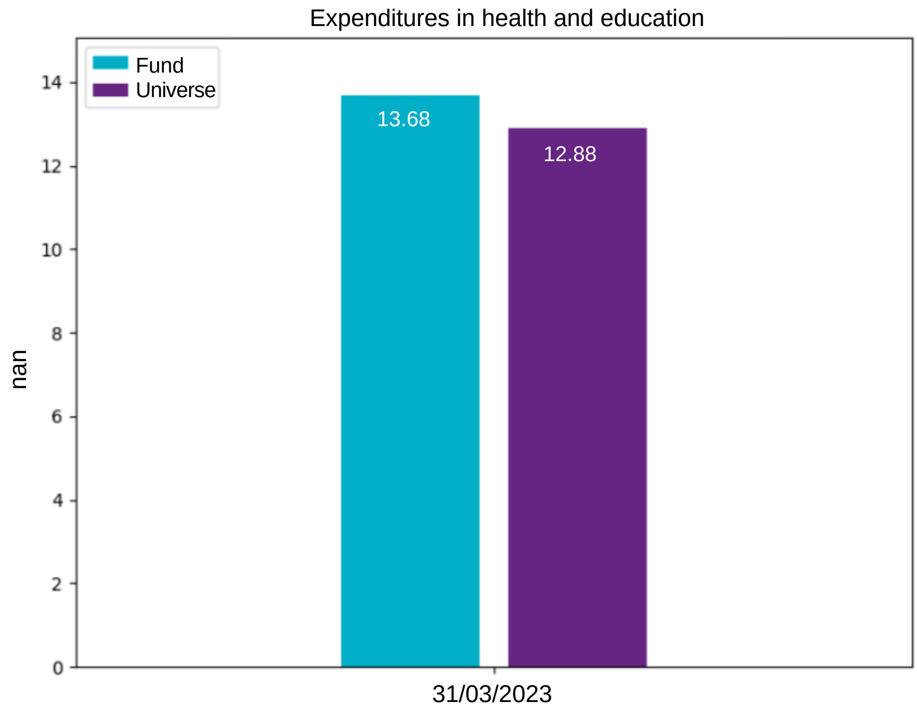
How did the sustainability indicators perform?

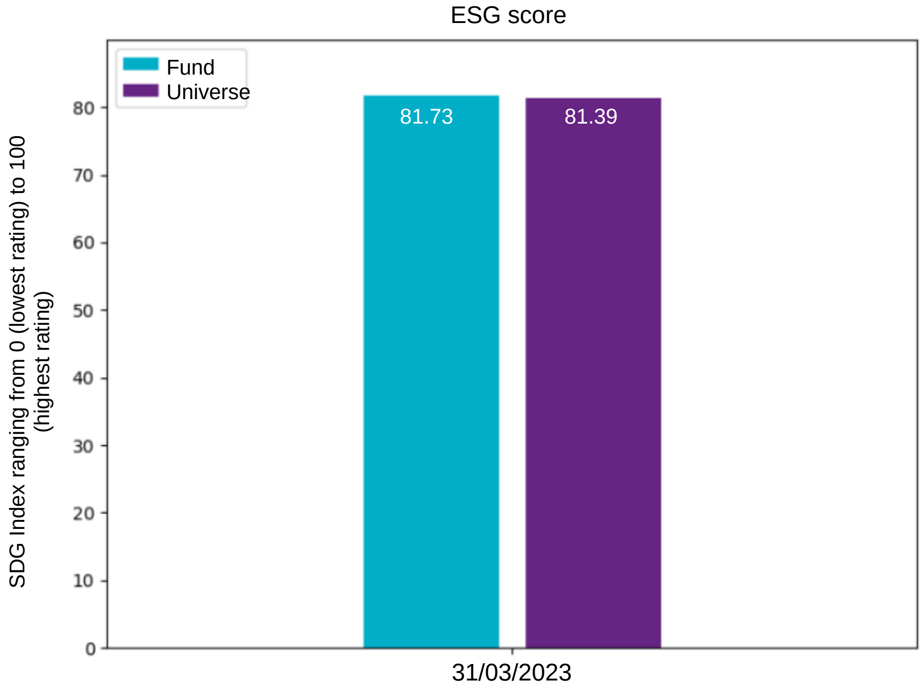
As at 31 March 2023:

- The ESG rating of the Fund (81.73) was better than that of the filtered initial investment universe (81.39)
- The carbon intensity of the filtered Fund (174.13 tCO_2/m) was lower than that of the initial investment universe (191.19 tCO_2/m)
- The expenditure indicator in health and education (13.68) was better than that of the initial investment universe (12.88)

- The Fund holds 20.3% in sustainable investments.







What were the objectives of the sustainable investments that the financial product partially intended to make and how did the sustainable investment contribute to such objectives?

Not applicable

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?

Not applicable

How were the indicators for adverse impacts on sustainability factors taken into account?

At the Ostrum entity level, we took into account the 14 principal adverse impacts listed in Annex 1 on the declaration of the principal adverse impacts on sustainability pursuant to Delegated Regulation (EU) 2022/1288 of 6 April 2022. The Fund took into account the two principal adverse impacts listed in Appendix 1 concerning the declaration of the principal adverse impacts on sustainability pursuant to Delegated Regulation (EU) 2022/1288 of 6 April 2022, which concerns sovereign and quasi-sovereign issuers (the Fund will not invest in private issuers). The PAIs are calculated on the basis of the information provided by our data provider. Information on the principal adverse sustainability impacts is available in the periodic report for the Fund pursuant to Article 11(2) of the SFDR Regulation and on the "ESG" section of the Ostrum website (www.ostrum.com).

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

The delegated investment manager followed exclusion, sectoral and worst offenders policies. They essentially concern private issuers and can be found on the Ostrum website (www.ostrum.com) under "ESG".

The Fund, which does not invest in private issuers, only applies Ostrum's exclusion policy concerning blacklisted states (exclusion of countries with strategic deficiencies in their anti-money laundering and anti-terrorist financing systems).

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities.

The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

How did this financial product consider principal adverse impacts on sustainability factors?

The Fund took into account the two principal adverse impacts listed in Appendix 1 concerning the declaration of the principal adverse impacts on sustainability pursuant to Delegated Regulation (EU) 2022/1288 of 6 April 2022, which concerns sovereign and quasi-sovereign issuers (the Fund will not invest in private issuers). Information on the principal adverse sustainability impacts is available in the periodic report for the Fund pursuant to Article 11(2) of the SFDR Regulation and on the "ESG" section of the Ostrum website (www.ostrum.com).

What were the top investments of this financial product?

The list includes the investments **constituting the greatest proportion of investments** of the financial product during the reference period which is: 31/03/2023

Largest investments	Sector	% Assets	Country
OBL 0% 10/25	Fixed-rate bonds	16.77%	Germany
BTPS 1.450% 11/24	Fixed-rate bonds	15.00%	Italy
BTPS 3.750% 09/24	Fixed-rate bonds	10.15%	Italy
SPGB 1.600% 04/25	Fixed-rate bonds	8.45%	Spain
SPGB 0% 05/25	Fixed-rate bonds	5.55%	Spain
EU 0.800% 07/25	Fixed-rate bonds	5.06%	Belgium
DBRI 0.100% 04/26	Index-linked bonds	3.05%	Germany
SPGB 2.800% 05/26	Fixed-rate bonds	3.02%	Spain
UNEDIC 2.250% 04/23	Fixed-rate bonds	2.57%	France
KFW 0% 09/23	Fixed-rate bonds	2.48%	Germany
CADES 0,125% 10/23	Fixed-rate bonds	2.47%	France
UNEDIC 0.250% 11/23	Fixed-rate bonds	2.46%	France
BPIFRA 0.125% 11/23	Fixed-rate bonds	2.46%	France
KFW 0% 04/24	Fixed-rate bonds	2.44%	Germany
KFW 0.050% 05/24	Fixed-rate bonds	2.43%	Germany

**The country shown is the risk country*

What was the proportion of sustainability-related investments?

At 31 March 2023, the proportion of sustainable investments was 20.30%

Asset allocation describes the share of investments in specific assets.

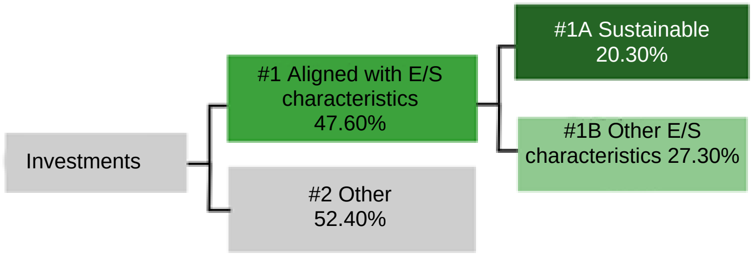
What was the asset allocation?

Please refer to the chart below

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product that are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:
- The sub-category **#1A Sustainable** covers environmentally and socially sustainable investments.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

In which economic sectors were the investments made?

At 31 March 2023, the Fund primarily invested in fixed-rate bonds issued in EU member countries (Germany, Italy, Spain, France etc.)

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

At 31 March 2023, the Management Company deemed it preferable, as a prudential measure, to state that the percentage of the Fund’s investments in activities aligned with the environmental and social objectives of the Taxonomy represents 0% of the Fund’s net assets.

Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy[1]?

☐ Yes:

☐ In fossil gas ☐ In nuclear energy

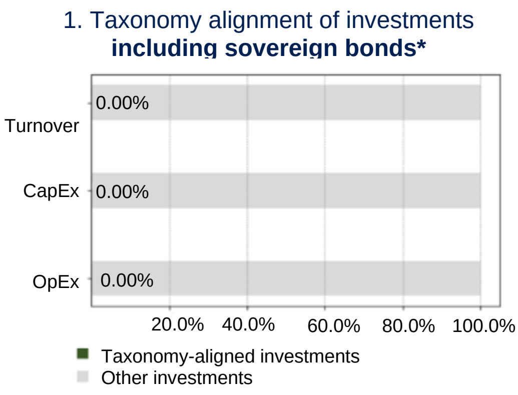
☒ No

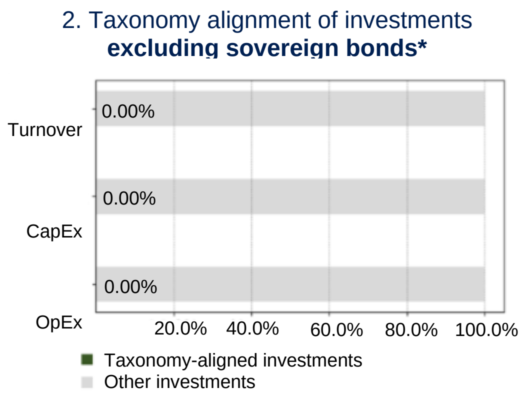
[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.





This graph represents **100.00%** of the total investments.

**** For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.***

What was the share of investments made in transitional and enabling activities?

The minimum share of sustainable investments with an environmental objective that is aligned with the Taxonomy is 0%. Therefore, the minimum share of investments in transitional and enabling activities within the meaning of the European Taxonomy Regulation is also set at 0%.

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

What is the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

Sustainable investments are green bonds, social bonds or sustainability-linked bonds that contribute to an environmental and/or social objective but no minimum investment in sustainable investments with an environmental or social objective is applied

What is the share of socially sustainable investments?

Not applicable

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

At 31 March 2023, the Fund was 52.40% invested in category "2. Other".

The following investments are included in this category: sovereign debt (excluding green), liquidities (excluding uninvested cash), the share of unaligned UCIs, forward contracts (derivatives) traded on regulated markets or over the counter only as hedging, repurchase agreements for cash management and optimisation of revenue and Fund performance.

Information on the list of asset classes and financial instruments used and their use can be found in this prospectus under the heading "Description of the asset classes and financial instruments in which the UCITS intends to invest"

Minimum environmental or social safeguards are not systematically applied.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The fund achieved its objectives in promoting environmental and social characteristics by:

- applying sector-specific and exclusion policies (blacklisted States),
- the construction of the portfolio, enabling it to obtain a better ESG score than that of the initial investment universe,
- taking into account the ESG and HR indicators of the SRI label,
- holding sustainable investments,
- a carbon intensity of the portfolio below that of the initial investment universe,
- via the maintenance of an expenditure indicator in health and education that is better than that of the filtered initial investment universe,
- indicators serving as a basis for the ESG ratings of the issuers.

How did this financial product perform compared to the reference benchmark?

Not applicable

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

How does the reference benchmark differ from a broad market index?

Not applicable

How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?

Not applicable

How did this financial product perform compared with the reference benchmark?

Not applicable

How did this financial product perform compared with the broad market index?

Not applicable

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