# LYXOR / MARATHON EMERGING MARKETS BOND FUND - CLASS A EUR HEDGED

LYXOR ASSET MANAGEMENT

## INVESTMENT OBJECTIVE

The Sub-Fund's investment objective is to outperform the J.P. Morgan EMBI Global Diversified Index ("the Benchmark Index") over the medium to long term. The Sub-Fund seeks to achieve this objective through investment primarily in debt securities such as sovereign, quasi-sovereign and corporate bonds in emerging markets and denominated in hard currencies.

## MONTHLY COMMENTARY

Global markets were driven primarily by two risk factors throughout the month. First, another surprise CPI beat of 7.5% YoY, the highest in nearly forty years, led markets to speculate that the FOMC may pursue a more aggressive hiking cycle in 2022 than previously priced in. Risk markets sold off on the back of the significant rates adjustment, with the US 10yr reaching 2.04% at its peak, swaps markets temporarily pricing in a substantial probability of a 50 basis point hike as early as March and 7 hikes in total priced in for 2022, and broader credit underperforming substantially as a result. Second, escalating tensions between Russia and the US and Europe, culminating in a full-scale Russian invasion of Ukraine in the final week of February, and the subsequent implementation of unprecedented financial and economic sanctions by the US, EU and other major economies, caused market volatility unseen since March of 2020, and price discovery across a number of assets that continues into March. EMBIGD spreads closed February at 469 bps, widening 86 bps MoM, with HY and IG components both widening 107 bps and 64 bps respectively.

On a country level, Marathon managed to generate 9 bps of Alpha from Russia due to the relative underperformance of on-index quasi-sovereigns, which the strategy avoided, that were sanctioned by the end of February. Elsewhere, the fund generated Alpha in Chile (3 bps) and Indonesia (3 bps), where with lighter DV01 exposure in the midst of continued rates volatility. They saw detraction from Ukraine (11 bps) due to the ongoing conflict where quasi-sovereign exposures underperformed. They also saw negative attribution in Egypt (6 bps), and Hungary (5 bps), where the fund had more concentrated risk amidst a broader sell-off in EM credit.

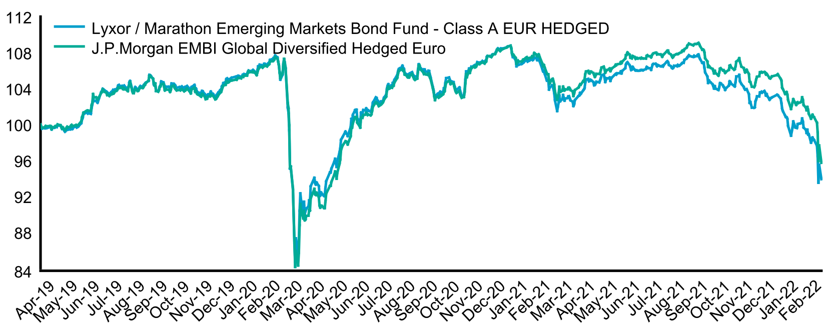
The EM debt market this year, already facing uncertainty from the ongoing economic impact of the global pandemic and the expected withdrawal of global monetary policy accommodation, now has to incorporate and price in the effects of a war whose outcome is highly uncertain. The outlook for EM debt remains very differentiated with the highly uncertain global backdrop of rising geopolitical tension between the conflict on the ground in Ukraine, escalating sanctions on Russia, the second round effects of a near complete de-linking of Russia from global financial markets and trade, and elevated commodity and food price inflation, which presents a negative and acute supply side shock . Marathon anticipate most EM countries to be affected by rising risk premium in the very near-term, but that as implications become clearer, there will be more definitive differentiation among EM credits. They expect EM sovereigns with close proximity to the conflict and those with significant trade linkages to Russia and Ukraine to be the most impacted, such as those who import wheat directly from Russia and Ukraine or neighboring countries whose economies depend on remittances from Russia. That said, fast rising commodity and food prices will exacerbate high inflation and weak growth across many EM markets even if they do not directly trade with Russia and Ukraine; and EMs with stronger balance sheets to withstand the shocks, such as those with more policy space to tighten monetary policy and more fiscal space or reserve buffers to support the economies. Commodity exporters will benefit from a positive terms of trade shock, including many countries in Latin America, Sub-Saharan Africa and the Middle East, many of which have already seen their external and fiscal balances improve significantly in 2021 on the back of already high commodity prices. Marathon expect monetary policy normalization to continue given rising inflationary pressures, but they note that global central banks are facing an incredibly challenging environment as they seek to prevent inflation from becoming entrenched while also protecting growth. Over time, they believe comparative spreads (between EM fixed income and DM fixed income) indicate the presence of attractive entry points, and that the capturing of value will be a function of the delineation of credit differentiation as the secondary effects of the conflict materialize. Furthermore, as capital markets have now closed, as they had during the peak period of covid, this enables managers to replenish cash through cashflows and amortizations, providing for a more positive technical backdrop to the market.

## FUND FACTS

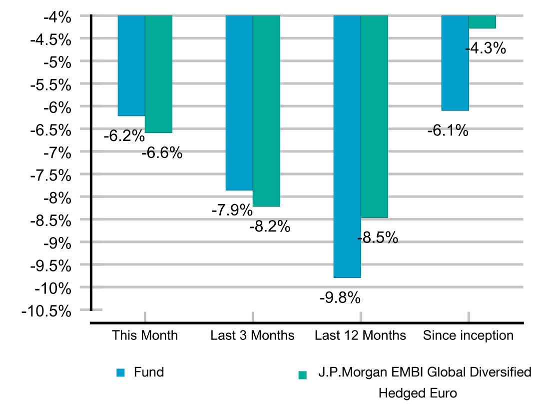
| | |
|---|---|
| Legal Structure | Sub-Fund Of Lyxor Newcits IRL II PLC |
| Inception Date of the Fund | March 28, 2019 |
| Inception Date of the Class | April 10, 2019 |
| Share Class Currency | EUR |
| Available Currency Classes | CHF, EUR, GBP, USD |
| ISIN Code | IE00BGMHJH08 |
| Bloomberg Code | LYMEMAE ID |
| Investment Manager | Lyxor Asset Management S.A.S. |
| Sub-Investment Manager | Marathon Asset Management, L.P. |
| Administrator | SS&C Financial Services (Ireland) Limited |
| Liquidity (1) | Daily |
| Subscription/Redemption Notice | 2:00 pm CET Daily |
| Valuation Day | Daily |
| Total Fund Assets (M USD) | 265 |
| Management Fee (2) | Up to 1.40% p.a. |
| Class Performance Fee (2) | - |
| Administration Fee (2) (3) | 0.25% |
| Long Exposure * | 99.39% |
| Short Exposure | 0.00% |
| Net Exposure ( long - short ) | 99.39% |
| Gross Exposure ( long + short ) | 99.39% |

* Excluding Cash

## PERFORMANCE SINCE INCEPTION




## PERFORMANCE ANALYSIS




## HISTORICAL MONTHLY RETURNS

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2022 | -3.03% | -6.22% | | | | | | | | | | | **-9.06%** |
| 2021 | -1.45% | -2.80% | -1.78% | 2.45% | 0.89% | 0.34% | 0.53% | 0.83% | -2.54% | -0.21% | -2.52% | 1.32% | **-4.98%** |
| 2020 | 1.40% | -1.56% | -12.95% | 2.50% | 5.36% | 2.93% | 3.30% | 0.40% | -1.88% | -0.30% | 3.74% | 1.63% | **3.32%** |
| 2019 | | | | -0.26% | 0.02% | 3.15% | 1.30% | 0.38% | -0.42% | -0.03% | -0.73% | 1.72% | **5.18%*** |

** Since inception: April 10, 2019*

## RISK ANALYSIS

| | Since inception | |
|---|---|---|
| | Fund | Index* |
| Volatility | 10.44% | 11.02% |
| Sharpe ratio | N/A | N/A |
| Maximum DrawDown | -20.20% | -21.44% |

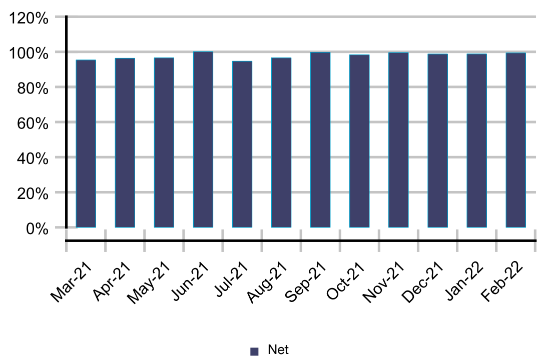
**J.P.Morgan EMBI Global Diversified Hedged Euro*

## IMPORTANT NOTE

Official NAV is calculated every day , subject to holidays & certain extraordinary events. Performance based on the Fund's last official NAV, and the Index level as of the same day. The Fund complies with the UCITS Directive and has been approved by the Central Bank of Ireland. Please refer to the Fund's prospectus for a full disclosure of the fund's characteristics.
(1) Under normal market conditions, Lyxor intends to offer the LIQUIDITY mentioned above. However, the LIQUIDITY is not guaranteed and there are circumstances under which such LIQUIDITY may not be possible. Please refer to the Fund's legal documentation for complete terms and conditions.
(2) For any additional information regarding fees, please refer to the relevant fees section of the Fund's Prospectus.
(3) Lyxor / Marathon Emerging Markets Bond Fund is benchmarked against the J.P. Morgan EMBI Global Diversified Index and is used with permission; 

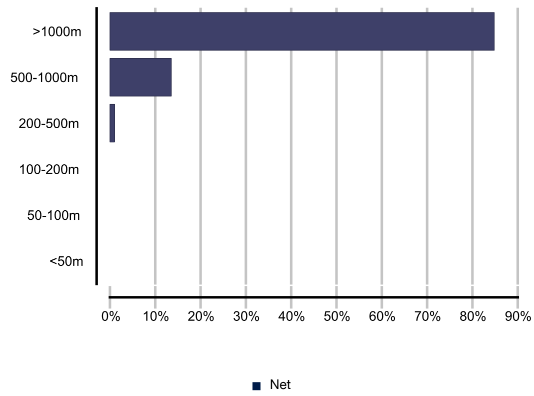
**Prospective investors should consult with their independent financial advisor with respect to their specific investment objectives, financial situation or particular needs to determine the suitability of investment. There can be no assurance that the investment objective of the Fund will be achieved and investment results may vary substantially over time. Investments in the Fund places an investor's capital at risk. The price and value of investments may fluctuate and investors may lose all or a substantial portion of their investment. Past performance is not indicative of future results. PAST PERFORMANCE IS NOTE A RELIABLE INDICATOR OF FUTURE RESULTS**
Source: Lyxor Asset Management

## MONTHLY STRATEGY EXPOSURE FOR LAST 12 MONTHS *

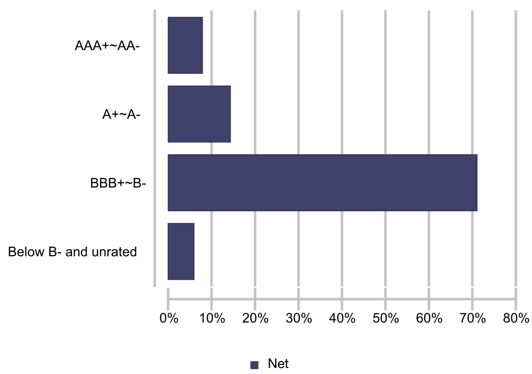



* All exposure excluding Cash

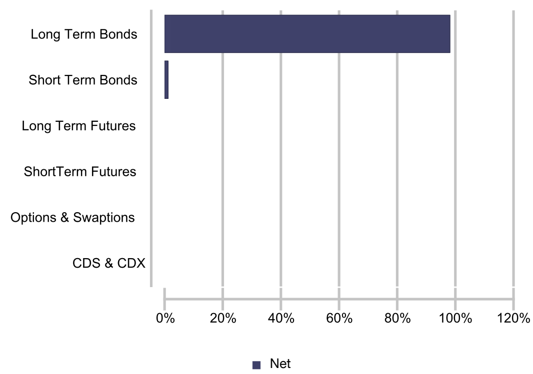
## BONDS BY ISSUE SIZE



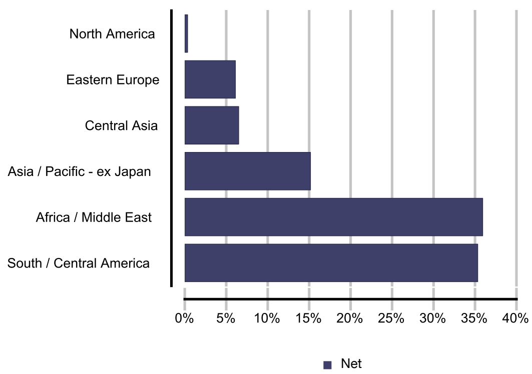

## NET EXPOSURE OF BONDS BY RATING




## NET EXPOSURE OF FI - CREDIT BY ASSET CLASS

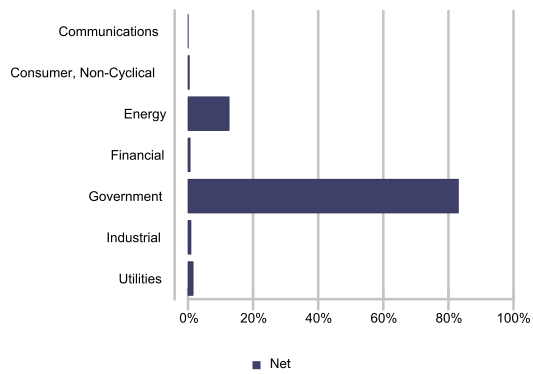



## GEOGRAPHICAL BREAKDOWN




The geographic classification of a security depends on the location of the issuer's main business activity. Treasury securities are categorized according to the issuing country.

## SECTOR ALLOCATION




## MAIN RISKS

**Risk of losses:** The price of Shares can go up as well as down and investors may not realise their initial investment. The investments and the positions held by the Fund are subject to (i) fluctuations in the Strategy (ii) market fluctuations, (iii) reliability of counterparties and (iv) operational efficiency in the actual implementation of the investment policy adopted by the Fund in order to realise such investments or take such positions.
Consequently, the investments of the Fund are subject to, inter alia, the risk of declines in the Strategy (which may be abrupt and severe), market risks, credit exposure risks and operational risks. At any time, the occurrence of any such risks is likely to generate a significant depreciation in the value of the Shares. Due to the risks embedded in the investment objective adopted by the Fund, the value of the Shares may decrease substantially and even fall to zero, at any time.
**Counterparty risk:** the Fund is exposed to the risk that any credit institution with which it has concluded an agreement or a transaction could become insolvent or otherwise default. If such an event occurs, you could lose a significant part of your investment.
**Credit risk:** the Fund is exposed to the risk that the credit quality of any direct or indirect debtor of the Fund (be it a state, a financial institution or a corporate) deteriorates or that any such entity defaults. This could cause the net asset value of the Fund to decline.
**Operational risk and asset custody risk:** in the event of an operational failure within the management company, or one of its representatives, investors could experience delays or other disruptions.
**Liquidity risk:** in certain circumstances, financial instruments held by the Fund or to which the value of the Fund is linked could suffer a temporary lack of liquidity. This could cause the Fund to lose value, and/or to temporarily suspend the publication of its net asset value and/or to refuse subscription and redemption requests.
**Risk of using FDI:** the Fund invests in financial derivative instruments in order to reach its investment objective. These instruments may include a range of risks which could lead to their adjustment or result in their early termination. This could lead to the loss of a part of your investment.
**Capital at risk:** the initial capital invested is not guaranteed. As a consequence, investor's capital is at risk and the amount originally invested may not be recovered.
Please refer to the Fund's Prospectus for a complete description of the Investment Risks.

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