

# Eurizon Fund - Bond Aggregate RMB ZD, EUR Distribution



Data as of 03/31/2024

This Sub-Fund is managed by Eurizon Capital S.A.

|   |            |                           |                             |                           |    |
|---|------------|---------------------------|-----------------------------|---------------------------|----|
| <b>NAV (in EUR)</b>                     | 109.65     | <b>Fund Size (in EUR)</b> | 395 mil                     | <b>Number of Holdings</b> | 52 |
| <b>Morningstar Rating <sup>TM</sup></b> | ★★★        | <b>Fund Manager</b>       | Eurizon SLJ Capital Limited |                           |    |
| <b>Class Unit Inception Date</b>        | 11/09/2020 |                           |                             |                           |    |

## Investment / Performance Objectives & policy

The fund mainly invests in a wide range of corporate and government bonds that are issued in People's Republic of China and Hong Kong. The fund generally favours direct investment but may at times invest through derivatives.

Specifically, the fund normally invests at least 80% of total net assets in debt and debt-related instruments, including convertible and covered bonds, and money market instruments, denominated in onshore or offshore renminbi, that are traded on any regulated market in People's Republic of China, including Hong Kong. The fund may invest directly, or indirectly through the Bond Connect programme, in the China Interbank Bond Market (CIBM).

The fund may invest in the following asset classes up to the percentages of total net assets indicated:

- below investment grade debt instruments with a minimum rating of B-/B3: 49%
- unrated debt instruments: 40%
- asset-backed securities and contingent convertible bonds (coco bonds): 10%

The fund does not invest directly in asset-backed securities, only indirect exposure to them is allowed.

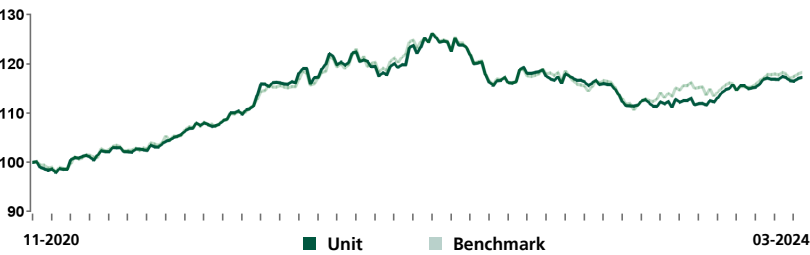
For more information read the Prospectus or Key Information Document (KID).

## Benchmark

Bloomberg China Aggregate Bond Index® (total return)

## Performance and NAV Evolution\*

### NAV Evolution since launch



### Cumulative and Annualized Performance

|                     | Unit       | Benchmark | Unit       | Benchmark |
|---------------------|------------|-----------|------------|-----------|
|                     | Cumulative |           | Annualized |           |
| <b>YTD</b>          | 1.47%      | 2.41%     | -          | -         |
| <b>1M</b>           | -0.18%     | -0.08%    | -          | -         |
| <b>3M</b>           | 1.47%      | 2.41%     | -          | -         |
| <b>1Y</b>           | 0.16%      | 1.39%     | -          | -         |
| <b>3Y</b>           | 13.90%     | 14.59%    | 4.44%      | 4.66%     |
| <b>5Y</b>           | -          | -         | -          | -         |
| <b>Since Launch</b> | 17.63%     | 17.97%    | 4.92%      | 5.01%     |

### Fund Statistics

|  | 6M    | 1Y    | 3Y    | 5Y | Since Launch |
|--|-------|-------|-------|----|--------------|
| <b>Annualized Volatility Unit</b>      | 3.55% | 4.23% | 6.33% | -  | 6.25%        |
| <b>Annualized Volatility Benchmark</b> | 4.33% | 5.29% | 6.61% | -  | 6.47%        |
| <b>Tracking Error Volatility</b>       | 2.65% | 2.88% | 2.11% | -  | 1.99%        |
| <b>Sharpe Ratio</b>                    | 1.40  | -0.69 | 0.57  | -  | 0.68         |
| <b>Information Ratio</b>               | 1.52  | -0.43 | -0.10 | -  | -0.05        |
| <b>Beta</b>                            | 0.65  | 0.67  | 0.91  | -  | 0.92         |

### Annual Performance (Calendar Year)

|             | Unit   | Benchmark |
|-------------|--------|-----------|
| <b>2023</b> | -0.73% | -0.76%    |
| <b>2022</b> | 0.49%  | 1.01%     |
| <b>2021</b> | 17.59% | 16.65%    |
| <b>2020</b> | -      | -         |
| <b>2019</b> | -      | -         |

\*Past performance and/or of relevant benchmark if applicable is not guarantee of future performance. The performances are net of ongoing charges and performance fees and exclude any entry and exit fees. Dividend reinvested / Dividend distributed (depending on the case). Reference period: YTD (year to date) from 01/01/2024 to the date of this reporting. The returns calculations do not take into account taxes applicable to an average professional client in his or her country of residence. When the currency presented differs from yours, there is a currency risk that may result in a decrease in value.

## Risk and Reward Profile



The risk indicator assumes you keep the product for 4 years.

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you.

We have classified this product as 3 out of 7, which is a medium-low risk class.

This rates the potential losses from future performance at a medium-low level, and poor market conditions are unlikely to impact the capacity to pay you.

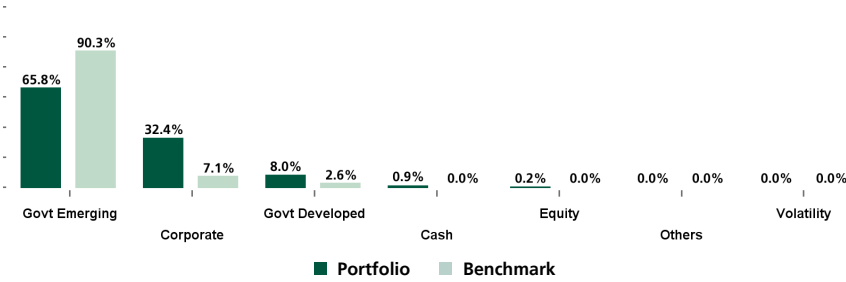
For any further details on investment risks, please refer in particular to the Risks section of the Fund's Prospectus.

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## Portfolio Information

### Asset Breakdown\*



\*The Corporate asset class may include issues by local agencies or authorities that are equivalent to Corporate instruments issued in terms of creditworthiness. The Developed Governments asset class may include derivative financial instruments on interbank rates.

### Derivatives

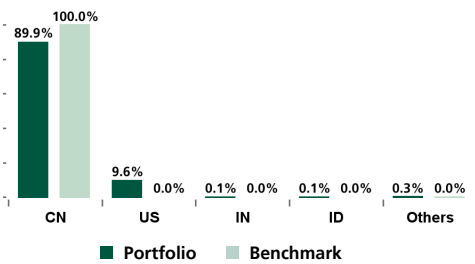
### Weight

|               |       |
|---------------|-------|
| Currency      | -     |
| Equity        | -     |
| Interest rate | 6.52% |

### Top 10 Holdings (excluding cash)

|                                | Weight | Sector     | Duration |
|--------------------------------|--------|------------|----------|
| EXIMCH 2.85 07/07/33           | 10.84% | Agency     | 7.93     |
| CGB 2.62 09/25/29              | 8.34%  | Government | 5.00     |
| CGB 2.8 03/24/29               | 7.98%  | Government | 0.00     |
| SDBC 3.09 08/09/28             | 6.12%  | Agency     | 0.00     |
| FUT US 10YR NOTE (CBT)Jun24... | 5.50%  | -          | -        |
| HUIJIN 4.2 09/20/40            | 5.46%  | Agency     | 0.00     |
| CGB 2.76 05/15/32              | 5.37%  | Government | 7.18     |
| MEITUA 3.05 10/28/30           | 3.93%  | Corporate  | 5.70     |
| SDBC 3.65 05/21/29             | 3.89%  | Agency     | 4.54     |
| ADBCH 2.85 10/20/33            | 3.36%  | Agency     | 8.21     |

### Duration Contribution by Country



### Contribution to Duration by Maturity

|       | % Contrib. |
|-------|------------|
| 0-1   | 0.41%      |
| 1-3   | 0.80%      |
| 3-5   | 1.80%      |
| 5-7   | 24.92%     |
| 7-10  | 30.88%     |
| >10   | 41.19%     |
| Total | 100.00%    |

### Duration Evolution

|         | Portfolio |
|---------|-----------|
| 10-2023 | 6.50      |
| 11-2023 | 6.69      |
| 12-2023 | 7.11      |
| 01-2024 | 7.09      |
| 02-2024 | 7.58      |
| 03-2024 | 7.55      |

### Sector Allocation

|                        | Portfolio |
|------------------------|-----------|
| Treasury               | 36.42%    |
| Government Related     |           |
| Agency                 | 45.11%    |
| Local Authority        | 1.06%     |
| Supranational          | 0.00%     |
| Sovereign              | 0.11%     |
| Corporate              |           |
| Industrial             | 17.99%    |
| Financial Institutions | 3.42%     |
| Utility                | 0.07%     |
| Securitized            | -         |

### Portfolio Characteristics

|                         | Portfolio |
|-------------------------|-----------|
| Weighted Average Coupon | 3.15%     |
| Current Yield           | 3.18%     |
| Average Rating          | A+        |
| Yield to Worst*         | 2.90%     |

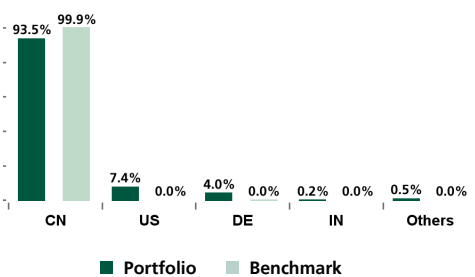
The portfolio Yield to Worst refers only to the component of fixed income and is calculated as a weighted average of returns of the single bond instruments, where the weighting takes place with respect to the value of the individual instrument. Returns hold account of the operating probabilities of the optional components possibly present in the bonds.

### Allocation by Rating / Maturity\*

|         | 0-1   | 1-3   | 3-5    | 5-7    | 7-10   | >10    | Total  |
|---------|-------|-------|--------|--------|--------|--------|--------|
| AAA     | 0.45% | -     | 0.21%  | -      | -      | 1.07%  | 1.73%  |
| AA      | 0.15% | 0.03% | 0.01%  | -      | -      | -      | 0.19%  |
| A       | 0.49% | 1.86% | 19.39% | 12.62% | 20.51% | 13.48% | 68.35% |
| BBB     | 0.12% | 0.04% | -      | -      | 0.01%  | -      | 0.16%  |
| BB      | -     | 0.04% | -      | -      | -      | -      | 0.04%  |
| B       | -     | -     | -      | -      | -      | -      | -      |
| Below B | -     | -     | -      | -      | -      | -      | -      |
| Total   | 1.21% | 1.96% | 19.61% | 12.62% | 20.52% | 14.55% |        |

\*Instruments without ratings are excluded from the calculation.

### Geographical Breakdown by Issuer



The sum of the weights represents the total bond exposure, including derivative instruments.

Allocation subject to change. Reference in this document to specific securities should not be construed as recommendation to buy or sell these securities.

### Currency Risk Exposure\*

|     | Portfolio | Benchmark |
|-----|-----------|-----------|
| CNY | 82.11%    | 100.00%   |
| CNH | 17.69%    | 0.00%     |
| EGP | 0.12%     | 0.00%     |
| JPY | 0.09%     | 0.00%     |
| ZAR | 0.03%     | 0.00%     |
| USD | -11.37%   | 0.00%     |

\*The figure refers only to classes not covered by exchange rate risk.

Data as of 03/31/2024

Investment Manager Commentary

Market Development

The January to February economic data were mixed but slightly better than expected. The performance between macro and micro, as well as among different sectors, diverged further: exports, investment, and industrial production were strong, while real estate sales further declined, and consumption and inflation remained low. In a nutshell, the insufficient domestic demand remains a drag, thus, policies urgently need to be further strengthened, especially those to stabilise the property sector. The 2024 GDP growth target is set at around 5%, CPI at 3%, and the fiscal budgetary deficit is 3% of GDP. Prudent monetary policy, which is flexible, appropriate, and precise, was reiterated. The only unexpected announcement was the multi-year special sovereign bond issuance, which will bolster national security capacity in key areas. The issuance of ultra-long sovereign bonds will pose supply pressure on onshore bonds; however, the high demand for assets should offset the shock. Bond yields should remain trading in a range in the near term. Since Q4 2023, the lack of high-yield assets has been a prevailing trend in the Chinese onshore market against the backdrop of credit spread compression to historic low levels. We are watchful of signs of an inflection point. We believe that the following indicators could signal the end of the current asset shortage: 1) significant improvement in economic fundamentals; 2) the rollout of unexpectedly stimulative policies; 3) an unexpected tightening of liquidity conditions; 4) a credit event; 5) regulatory tightening. Considering the narrative from the National People's Congress (NPC) and the current economic phase, we find the first three scenarios unlikely. Therefore, we should closely monitor any potential credit events, such as defaults or unforeseen black swan events, and any moves by Chinese authorities to tighten regulatory standards. If none of these developments occur, we expect bond yields to continue trading within a range and credit spreads to remain relatively low.

Performance and Investment Choices

The Fund's performance in March was negative. In March, the onshore bond yields traded within range but with relatively higher volatility. Within the month, 1–10-year CGB bond yields traded down slightly, while the ultra-long end remained the same level despite the higher volatility. Credit spreads widened from the historical low level. The Fund's long duration position combines our onshore and offshore views: we increased our short onshore duration position and we added duration in our offshore bond exposure, given the attractive US Treasury yields on offer. From an allocation perspective, exposures in the fund are a product of our structural market views, duration, and yield curve management. During the month our Onshore bond exposure was reduced and our Offshore exposure was increased. Within rates, we maintain our preference for Policy Bank bonds and Central Government Bonds over Local Government Bonds, maintaining a 0% exposure. Our Corporate Bond allocation rose and remains focused on the most highly rated and liquid names, including Onshore and Offshore bonds. The Offshore market provides access to sectors that are not available in the Onshore market, such as Technology and Consumer Cyclical. On the currency front, we halved the long-EURUSD overlay and stayed short-USDCNY. Lastly, we maintained a higher ESG score than the benchmark and kept improving our ESG score.

Outlook and Investment Strategy

In March, onshore bond yields traded within range but with higher volatility. Going forward, we believe that the onshore bonds may remain range trade, but volatility should be high given the uncertainty of strength of the fiscal stimulus and how the economic data react. We will maintain a duration close to the onshore bond market to benefit from further bond performance and be alert for potential unexpected fiscal stimulus. We will also maintain the offshore credit exposures in anticipation of lower UST yields. On the currency front, we still believe that China's external surplus is too large for the RMB to remain weak indefinitely. Finally, we will maintain the portfolio ESG score above the benchmark.

Source: Eurizon SLJ Capital Limited, the Investment Manager of the Sub-Fund.

This commentary constitutes opinions that are subject to change. Past performance is no guarantee of future performance.

Fund Overview

|   |   |
|---|---|
| Legal Status  | Fonds Commun de Placement (FCP)/UCITS   |
| Home jurisdiction of the Fund                               | Luxembourg  |
| ISIN Code   | LU2191353940  |
| Class Unit Inception Date                                   | 11/09/2020  |
| Valuation   | Daily   |
| Bloomberg Code  | EUBARZD LX  |
| Entry costs   | -   |
| Exit costs  | -   |
| Management fees and other administrative or operating costs | 0.59% (of which management commission constitutes 0.40%)  |
| Transaction costs   | 0.44%   |
| Performance fees  | The performance fee calculation is based on a comparison of the net asset value per unit against the High Water Mark where the High Water Mark is defined as the highest net asset value per unit recorded at the end of the five previous financial years, increased by the year-to-date return of the fund's benchmark. The actual amount will vary depending on how well your investment performs. |
| Minimum amount  | 3,000,000 EUR   |
| Taxes   | The tax treatment depends on the individual circumstances of each investor and may be subject to change in the future. Please refer to your financial and tax advisor.  |
| Management Company  | Eurizon Capital S.A.  |
| Investment Manager of the Sub-Fund                          | Eurizon SLJ Capital Limited   |
| Category  | RMB BOND - ONSHORE  |

In managing the fund, the SGR (Società di Gestione del Risparmio — asset management company) integrates sustainability risk analysis into its investment process, pursuant to Article 6 of Regulation (EU) 2019/2088; see the Sustainability Policy for more details.

The Sub-Fund is not an Index-tracking UCITS and then does not intend to passively replicate, track or leverage the performance of a Benchmark through synthetic or physical replication.

Data as of 03/31/2024

## Access to Fund documents and other information in your country

Before making an investment decision, you must read the Prospectus and KIDs, as well as the Management Regulations and the last available annual or semi-annual financial report and in particular the risk factors pertaining to an investment in the Sub-Fund and may be obtained at any time, free of charge on the Management Company's website [www.eurizoncapital.com](http://www.eurizoncapital.com). These documents are available in English (and the KIDs in an official language of your country of residence) and paper copies may also be obtained from the Management Company upon request.

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## IMPORTANT INFORMATION

Source of information and data related to the Unit of the Sub-Fund: Eurizon Capital SGR S.p.A, Società di gestione del risparmio, a public limited company (società per azioni) incorporated in Italy under number 15010 and having its registered office Via Melchiorre Gioia, 22 - 20124 Milan and authorized to act as investment manager under the supervision of CONSOB.

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