

View from the 20th Floor

Amundi Funds II – Multi-Strategy Growth*

31 May 2018

MULTI-STRATEGY

COMMENTARY

“Since becoming a central banker, I have learned to mumble with great incoherence. If I seem unduly clear to you, you must have misunderstood what I said”

– Alan Greenspan, ex-Chairman of the U.S. Federal Reserve

PERSPECTIVE	
<p>The importance of effective communication</p>	<p>The skill (or art) of communication should be pretty straightforward. Apart from breathing, talking and communicating is probably one of the things we do most often. On the basis that “practice makes perfect”, we should therefore all be master communicators, however, sadly not. Effective communication is something that is often lacking in all aspects of our lives. Be it in our personal relationships or our working relationships, clear and concise communication is the key to happiness and success. Whilst most people work hard at trying to improve their communication skills, others deliberately try to make their communications confusing – see ex-US Federal Reserve Chairman Alan Greenspan’s comment to a Senate committee in 1987. Others of a certain vintage will remember a very British comedy called “Yes Minister” (and latterly “Yes Prime Minister”), when the wonderful Permanent Secretary Sir Humphrey Appleby (played to perfection by the wonderful Nigel Hawthorne) would advise Minister Jim Hacker (played by Paul Eddington) on the workings of the British public sector. In one memorable episode, the Minister is inundated with correspondence, and Sir Humphrey offers to take it off his hands by sending “official replies”.</p> <p>Humphrey: “I’ll just say, ‘The Minister has asked me to thank you for your letter’ and something like ‘The matter is under consideration’, or even ‘under active consideration’.”</p> <p>Hacker: “What’s the difference?”</p> <p>Humphrey: “Well, ‘under consideration’ means we’ve lost the file, ‘under active consideration’ means we’re trying to find it.”</p>
<p>Absolute Return funds can be difficult to analyse and understand</p>	<p>One of the concerns we often hear on our travels while marketing our Absolute Return Multi Strategies is that Absolute Return funds are “black boxes”, and it can be difficult to understand what is going on with the Portfolio. Investors often tell us that some managers are not very transparent (a la Alan Greenspan) and don’t want to explain to investors how they hope to generate their returns. In Amundi, we pride ourselves on our transparency, and this newsletter is one of the ways we use to deliver that transparency. We recognize that it can be difficult to project a future return based on current asset allocation, firstly because we have a non-traditional approach to asset allocation, and secondly, because our risk budget is dynamic. But we will always seek to engage with existing and prospective clients in trying to be as open as possible in explaining how we invest.</p>
<p>What we try to do...</p>	<p>Here are some of the things that we say we try to do:</p> <ol style="list-style-type: none"> (1) We focus on trying to minimise drawdowns and trying to protect the Portfolio: the performance of the Portfolio in May should be testament to this aim. Despite Emerging Markets (EM) concerns, trade disputes and the emergence of Italian political concerns, we managed to generate positive returns in May without significantly increasing the risk within the Portfolio. (2) Asymmetric profile: we strive to construct the Portfolio in a way that means we can generate higher returns when we get things right, but lose less money when we get things wrong. We attempt to do this through a number of different ways – the increased use of options over the past 9 months (because options have been cheap); through tactical adjustments of our asset allocation (our delta-adjusted equity exposure has ranged from a high of 35% to a low of 5% year-to-date); and active

For Professional Clients Only

*Prior to 16 February 2018, Pioneer Funds – Multi-Strategy Growth.

¹ Diversification does not guarantee a profit or protect against a loss.

Marketing Material

Amundi
ASSET MANAGEMENT

<p>Being well-prepared is key</p>	<p>allocation of our risk budget (last year we increased the risk budget of our Thematic ideas, this year we have been more focussed on our Satellite strategies).</p> <p>(3) Build a Portfolio that is uncorrelated to bonds and equities: our performance numbers so far this year illustrate an important point – <i>being long equities does not equal having a positive correlation to equity indices</i>. Our Thematic ideas and Relative Value ideas both helped our Portfolio to generate positive performance at a time when equity indices generally were delivering negative returns.</p> <p>(4) Maintain a conservative volatility profile: the last couple of years have seen volatility artificially compressed by the actions of global central banks, who through their asset purchase programmes have managed to dampen volatility, which meant that Volatility at Risk (VaR) numbers were often not an accurate reflection of the underlying risk in markets or portfolios. Even though our realised volatility numbers were lower than historical averages, we never really trusted these numbers and always assumed that market volatility and increased asset correlations were playing a part in depressing risk. We believe that this regime has now changed, so our advice is to get used to higher volatility in the future, and to protect your portfolio against such an outcome.</p> <p>Regular readers will know that I am a keen sailor. In my youth, I came very close to winning a national championship, but my risk-management skills let me down. Roy Keane (ex-captain of Manchester United and Ireland) famously said “in order to come first, first you have to finish”. I pushed my boat too hard, took too many risks and didn’t finish the race - losing the championship. Our aim as an investment team is to prepare our boat (or Portfolio) for the coming storms, to ensure that we suffer as little damage as possible to the boat or sails during the storm, enabling us able to sail fast and efficiently when we exit the storm.</p>
<p>PERFORMANCE</p>	
<p>European geopolitical risk makes a reappearance</p>	<p>European geopolitical risk in the form of Italian political uncertainty returned to the markets in a big way in May, following a period of relative calm around the Eurozone. This followed a couple of weeks which featured some deterioration in EM sentiment, ongoing trade disputes between the U.S. and China, and “will they, won’t they” talks between the U.S. and North Korea. The sudden sharp rise in Italian BTP yields (followed by a partial retracement of those rises) was the main headline of the month, and impacted European banks, Euro credit and High Yield; but also actually benefitted so-called “safe-haven” assets such as the U.S. Dollar and Japanese Yen. Global bond yields such as German Bunds and U.S. Treasuries also rallied, and finished the month lower in yield.</p>
<p>U.S. equity markets had a strong month in May, bringing year-to-date, performance into positive territory.</p>	<p>The MSCI World Equity index was up 0.63% in May, but as has often been the case in recent months, that headline number masked quite a divergence of performance. The U.S. S&P500 rose a strong 2.4% during May, bringing it into positive territory (+2%) for the year-to-date. It was hard to discern any significant trend to sector performance during the month – Construction Parts, Copper, and Auto Parts and Equipment indices led the way; but Brewers, Houseware and HealthCare Distributors were the laggards. It was a similar story at individual stock level as well, with the best performing U.S. stock being TripAdvisor and the worst-performing stock being Symantec Corp (a software security company). After a brief outperformance in April, May saw Value stocks (-0.05%) getting crushed by Growth stocks (+4.14%), and the year-to-date gap is already close to 10% outperformance in favour of Growth (Growth +6.01% vs Value -3.88%). Both the Nasdaq and the Russell 2000 outperformed both the Dow and the S&P in May. Economic data in the U.S. was generally good – the unemployment rate decreased to 3.9% from a previous 4.1%, and annualised Average Hourly Earnings were contained at 2.6%. Annual CPI rose 2.5% compared to last month’s 2.4%, and the Composite PMI rose to 55.7 from April’s 54.6, while the Federal Open Market Committee (FOMC) as expected left rates unchanged.</p>
<p>European equity markets</p>	<p>In Europe, it was all about Italy and the attempts to form a new government. Whilst these attempts had been on-going through the month, the decision by Italian President Sergio</p>

<p>experience mixed performance</p>	<p>Mottarella to reject the proposal of 81-year old economist Paolo Savola as Finance Minister towards month-end really brought the matter to the market's attention. It sparked fears that new elections might be necessary, and that those elections might become a de-facto referendum on Italy's relationship with Europe and the Euro. Reaction was swift and brutal – whilst the EuroStoxx 50 was down -2.52% for May, the Italian FTSE MIB index fell nearly 8% over the same period. By contrast, the German DAX was barely negative (-0.06%) whilst the UK FTSE10, aided by a weaker currency, rose 2.8%. At a sectoral level, Basic Resources and Technology were the outperformers in Europe, whilst unsurprisingly Banks were the major underperformers, followed by Telecoms. Growth appears to be stabilising at a lower level in Europe, with the May Composite PMI reported at 54.1 vs expected 55.1. As against that, the German Ifo survey was steady at 102.2 and the depreciation of the Euro might help exporters in coming quarters. Towards month-end, and probably related to Euro weakness and the strength of the oil price, Euro-area May inflation rose to 1.9% compared to April's 1.2% and expected 1.6%. Those will embolden the hawks on the ECB Governing Council to argue for a quick wind-down of the ECB's bond-buying programme.</p>
<p>Asian equity markets were mostly negative with a couple of exceptions</p>	<p>Whilst the Euro was quite weak against the U.S. Dollar during May, the Yen only experienced a small decline. But this wasn't enough to help Japanese stock markets – the Topix fell -1.7% whilst the Nikkei 225 was down -1.2%. In fact most Asian markets had negative performance in May – the Hang Seng was down -1.1%, the export-dominated Kospi in Korea fell -3.7% and the Singaporean Straits Times Index also fell -5.1%. The only major markets to generate positive returns were the Chinese Shanghai Composite A-Shares (+0.4%), the Indian Sensex (+0.5%) and the Australian All Ordinaries (+0.85%). Year-to-date the leader is the Indian Sensex (+3.3%) whilst the major laggards are the Philippines (-11.5%) and Indonesia (-9.3%). Longer-term worries affecting the Japanese market are the same as those affecting Europe – the fall-out from a strong currency. The Yen is still considered to be the “risk-off” currency of choice, and many analysts are still forecasting U.S. Dollar weakness / Euro & Yen strength over the remainder of 2018 and into 2019, so this could affect analysts' estimates of earnings per share growth in 2018 of close to 30%. But as with Europe, ongoing Yen strength may cause some downward revision to those earning estimates, with a knock-on effect on the overall level of the market.</p>
<p>EM equity markets suffered in May</p>	<p>Emerging Markets (EM) equities, (as measured by the MSCI EM Index) had a tough month in May, falling -3.5% over the month, leaving it down -2.6% year-to-date. Weakness was mainly driven by problems in Argentina, Turkey and Brazil. Latam led the underperformance, falling a rather large -14.3%, followed by EMEA with a monthly performance of -6%. Asia was a relative outperformer, but still fell -1.6% in May. All the EM markets that we track are now in negative territory year-to-date.</p>
<p>Mixed returns from fixed income markets</p>	<p>We mentioned earlier in this commentary about the sudden sharp rise in Italian bond yields, and it really was a month of two halves in terms of yield movements for the major global bond markets. In fact, by mid-month the US 10-year Treasury bond yield had risen to yield 3.02% whilst the 10-year German Bund yield peaked at 0.65%. An apparent cooling of trade tensions, a reduction in geo-political risk in Asia, and decent economic reports was suggesting that the path of least resistance was towards higher global bond yields, especially with US inflation hitting 2.5%. In terms of steepness of the curves, both the US and German curves were at their steepest in mid-month as well. But the eruption of Italian political concerns quickly overcame any fundamental valuations and US and German yields plummeted just as quickly as Italian yields rose. Whilst Italian 2-year yields gapped higher to peak at 2.76% and 10-year Italian yields peaked at 3.16%, US 10-year yields dropped to 2.78% and 10-year German Bunds fell to 0.26%. The spread between 10-year German Bunds and 10-year Italian BTP'S widened to 300bps, the widest seen since late 2013. Curves also flattened dramatically, with the spread between the German 2-year yield and 10-year yield falling to 101bps. The ECB are still anticipated to end their bond-buying programme by December 2018, with a first deposit rate increase expected sometime around mid-2019. But much will depend on what happens in the political arena around Europe before now and then.</p>

<p>Investment-Grade & High Yield underperform significantly</p>	<p>In the U.S., the market appears to believe that the Fed will hike rates another two times in 2018 (making a total of 4 hikes), and coupled with increased worries about how the budget deficit in the U.S. will be funded, that's enough to keep U.S. yields under upward pressure. Especially with the unemployment rate continuing to fall and wage pressures showing signs of increasing. In the UK, rate expectations are for unchanged monetary policy between now and year-end as growth and inflation both slow, mainly due to Brexit-related concerns. As a result, UK gilt yields all along the curve fell, with the 10-year falling 19ps to 1.23%. For May, the JP Morgan Global Bond Index EMU 5-7 years fell -1.4% in the month.</p> <p>Investment-Grade credit had a disappointing month with spreads widening across the spectrum and significantly underperforming government bonds. The Euro Investment Grade iTraxx Main Index widened 15bps to 69.6bps, meaning the index has widened a total of 25bps for 2018 year-to-date. The wider Bloomberg Barclays Euro Aggregate Corporate index generated negative returns of -0.25% during the month, whilst the Bloomberg Barclays U.S. Corporate index was positive to the tune of +0.54%. High Yield markets also outperformed during April as the iTraxx Europe Crossover Index tightened by 35bps to 306bps. Euro High Yield underperformed U.S. High Yield with the Euro High Yield index falling -0.13%, whilst the U.S. High Yield index rose 0.10%.</p>																																																
<p>Commodities also had a mixed month</p>	<p>Commodities had a mixed month, with the CRB Index rising +0.43%, and now up 4.6% for the year to date. West Texas Intermediate fell 2.2% in May, in comparison to Brent which rose 3%. For 2018 as a whole, Brent is now outperforming WTI by 4.5 % (15.4% vs 11%). Copper rose 1.1%, but Gold was down -1.3%, and both are negative for the year-to-date (Copper -5% and Gold -0.4%).</p>																																																
<p>U.S. Dollar continues to appreciate strongly</p>	<p>Having traded in quite a tight range between mid-January 2018 and mid-April 2018, the U.S. Dollar burst into life in April and continued its strong performance in May. The same factors as were evident in April, helped push the Dollar higher in May - wider yield differentials, stronger growth prospects, an investment community that is heavily short the U.S. Dollar, and Italian political concerns all helped the U.S. Dollar have one of its strongest months in recent times. Overall in May, the Dollar Index (a trade-weighted basket of currencies against the U.S. Dollar) rose +2.3%, and is now up 2% year-to-date. The EUR/USD rate moved from 1.2078 to 1.1693, and even dropped below 1.16 at the height of the Italian political worries. The USD/JPY rate moved from 109.35 to 108.82. The Euro was pretty much flat against the British Pound, moving from 0.8775 to 0.8795. With the U.S. Dollar strength, EM currencies finished the month lower. The JP Morgan Emerging Markets Currency Index fell nearly 3.7% in May and is now down -4.9% year-to-date, with the Argentinian Peso being the weakest currency as a result of a run on the currency during May.</p>																																																
<p>Figure 1 Market Performance in May 2018</p>																																																	
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The Portfolio has delivered a positive return so far in 2018	<p>Figure 2 Portfolio performance Year to Date to 31 May 2018</p> <table border="1"> <thead> <tr> <th></th> <th>YTD</th> </tr> </thead> <tbody> <tr> <td>Amundi Funds II –Multi-Strategy Growth - "A" Class</td> <td>+2.31%</td> </tr> </tbody> </table> <p>Source: Amundi Asset Management as at 31 May 2018, Class A EUR ND net of fees. Past performance does not guarantee and is not indicative of future results.</p>		YTD	Amundi Funds II –Multi-Strategy Growth - "A" Class	+2.31%								
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Ask The Portfolio Manager?	<p>Q. Do portfolio managers have to get approval for their investment ideas before implementing them?</p> <p>A. Portfolio managers have the discretion to implement their own investment ideas up to a certain size in terms of risk budget. For the Multi Strategy Growth fund, no permission is needed if investment ideas are below 60bps of risk. Any position in excess of 60bps of risk is considered to be a “high conviction” idea and needs to be presented to, and approved by, the full Absolute Return Multi Strategy team at their weekly meeting.</p>												
May 2018 Performance Contribution	<ul style="list-style-type: none"> Overall the Portfolio delivered a strong positive performance in May 2018. Our Macro Strategy performed very well in May, with our Macro positions slightly outperforming our Thematic ideas. Within our Macro positions, our long US Dollar position was by far the biggest contributor to positive performance, given the strength of the US Dollar’s appreciation during the month, and our Non-EUR Duration position (mostly long US Treasury Bonds) was another positive performer. On the other hand, our long EUR Equity position detracted from overall performance. In our Thematic positions, three themes added to overall positive performance in May – Longevity, Asian Middle Class and Internet of Things. For the year-to-date, both our Macro and Thematic positions are now in positive territory. Our Macro Hedging strategy also delivered strong positive performance in May, mainly related to two positions. Our decision to hedge against Euro strength by selling the Euro against a basket of currencies such as the US Dollar, Japanese Yen, Sterling and Swiss Franc paid dividends, given the afore-mentioned Euro weakness. And our ongoing long equity volatility position also added to overall performance, given the move in equity markets during the month. Our Satellite pillar delivered strong performance in May, with the major contributors being the Equity and Commodity, Inflation & Volatility strategies. Within the Equity strategy, our European Cheap Value position was a key contributor, this being a basket of our favourite cheap Value-style stocks, paired against a short position in the EuroStoxx50 – it was the latter leg that really performed. Our US Opportunities position is a basket of our favourite US stocks, and includes energy stocks which benefitted from the strong oil price. In the Commodity, Inflation & Volatility strategy our decision to be long Italian inflation-linked bonds, but hedging the sovereign risk by having a short position on Italian government bonds worked well. At the other end of the spectrum, our Spread strategy detracted from overall performance as our High Yield position underperformed – our cash bond positions are hedged via a long protection position on the iTraxx Crossover index, but this month cash bonds underperformed the index. Finally, our Selection strategy had some minor underperformance and slightly detracted from overall performance. As mentioned last month, we are continuing to reduce the basis risk in this portfolio of high quality corporate bonds, meaning that we continue to reduce the number of cash bonds we were holding, and also reducing the number of derivative positions we were using to try and hedge the cash bonds. 												

Real Estate	0.7%
Forex	-1.0%
Cash	16.2%

Source: Amundi Asset Management. Data as at 31 May 2018.

REVIEW & OUTLOOK

Maintaining a mildly positive view on risky assets

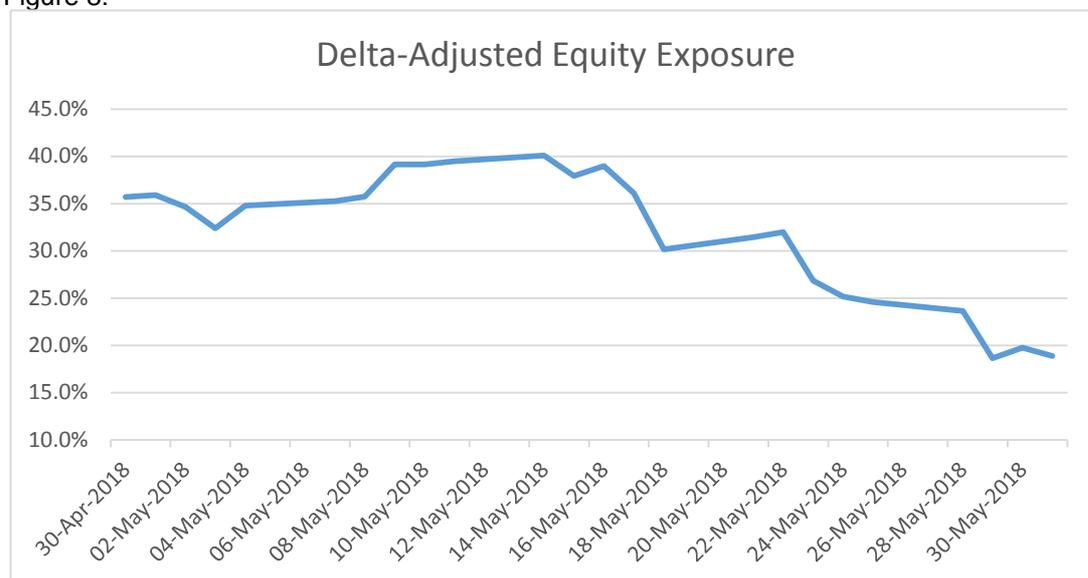
Solid growth and a relatively subdued inflation path justify our mildly positive view on risky assets, and in particular equities. We are more cautious on a short-term perspective, given the slowdown in macro momentum in some regions, increased trade tensions and looming geopolitical risks. Overall, the case for being long equities remains in place as long as the global economic cycle remains intact. But differences in regional cycles may play out as a source of return: many major economies are at diverse stages of the cycle as reflected in the different stages of the earnings per share cycle, capex recovery and the ability of risky assets to absorb higher rates. These divergences offer the potential for relative value opportunities across sectors and regions, amid low directionality.

In light of this changing investment backdrop and with structural themes also at play (debt, regulation, digital disruption), multi asset investors should combine short-term convictions (timeframe of weeks or a few months) on earnings surprise/momentum or dislocation ideas, with medium-term themes (i.e. intrinsic value linked to fundamentals, sector disruption, EM country transition) in order to diversify¹ the sources of returns and manage short and long-term risks.

Delta-adjusted equity exposure fell in May

The Portfolio's equity exposure (based on market value) was pretty constant around 20% during May. But to get a more accurate picture of true equity exposure, it's best to also take into account our option holdings and look at the delta-adjusted exposure. We started the month with a delta-adjusted equity exposure of just under 36%, and finished May with an exposure of just under 19%, which reflects our more cautious view on markets, especially as Italian political worries increased.

Figure 8:



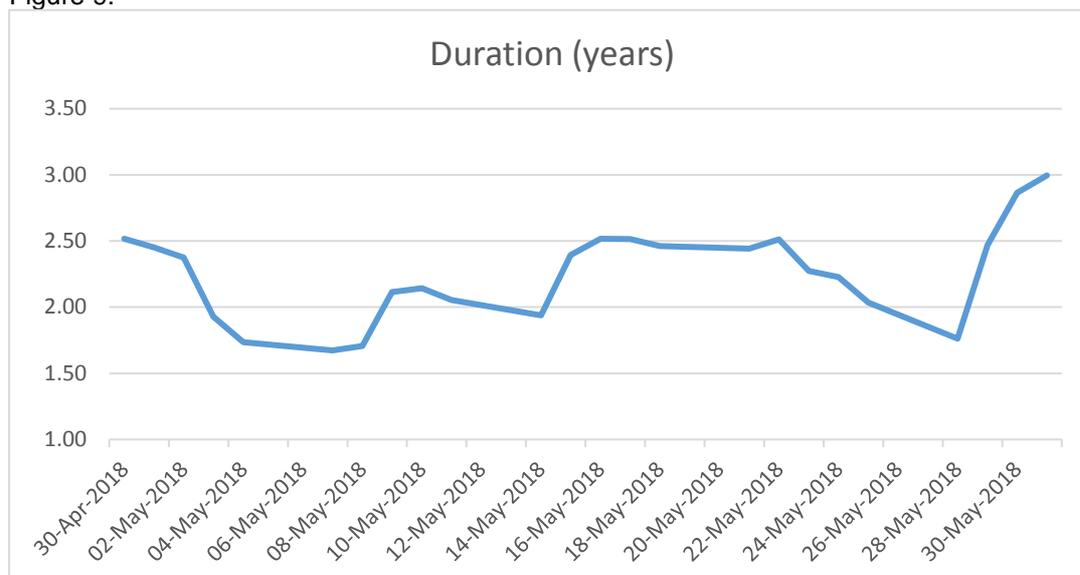
Source: Amundi Asset Management. Data as of 31 May 2018.
¹ Diversification does not assure a profit or protect against loss.

Decreased Europe and UK exposure, having

The good news is we had no holdings in either Italian or Spanish banks and so were relatively unaffected by their underperformance linked to Italian political worries. And in early May we actually moved from a long position in European banks to a short position, which

<p>increased it in April.</p>	<p>contributed positively to overall portfolio performance. We also reduced our holdings in Chinese and Japanese banks, even though they are probably cheaper and better positioned than other global banks. We moved back to Neutral on the U.S. Energy sector, but are still long Energy and Materials overall. Having been long the Insurance sector, we reversed the position and changed it to a short position, whilst also buying back some Staples and Healthcare positions in Europe. Most of these moves can be classified as being more defensive in nature.</p>
<p>Still prefer investment-grade corporates to sovereigns</p>	<p>By country, having increased our exposure to both European and UK equities in April, we took profit on these positions in late May. We reduced European equities because of worries that Italian political concerns would affect the wider European market. We reduced UK equities as the market had a good month in May - we had downgraded our growth forecasts for the UK economy and thus we felt it prudent to book some profits. We are now left with small residual positions in both markets.</p>
<p>Duration exposure has increased, but still at relatively low levels compared to the past</p>	<p>Overall we remain long in the U.S., slightly long in Europe and the UK, and we are positive but with low exposure in both Japan and EM.</p> <p>In fixed income, we are still somewhat positive on European high grade corporates, which have so far proved quite resilient to equity market fluctuations and rising bond yields (mainly due to the ongoing Corporate Sector Purchasing Program by the ECB). On the government bond side, we expect higher 10Y break-evens (in Europe, U.S. and Japan) rates, as our macro forecasts call for a gradual increase in pricing dynamics throughout this year. In the U.S., we think the curve is currently too flat. More inflation risk premia should be discounted as recent inflation data have surprised to the upside and the fiscal deficit is set to increase. Our preferred way to express this view is via a 2-year/10-year steepener in U.S. Treasury futures.</p>
<p>Positive on inflation-protected bonds globally</p>	<p>Our fixed income portfolio continues to run relatively low levels (but higher than the recent past) of duration as we believe that global bond yields will push higher against a backdrop of better growth, increasing inflation and the removal of accommodative monetary policy settings by central banks. The Portfolio duration increased slightly during the month from 2.52 years at end-April, to finish May at 3.00 years. We are still long in Europe (about 1.05 year duration, but lower than last month's 1.66 year), whilst our biggest contributor to duration is now in the U.S. where our exposure has increased from last month's 0.82 year to finish May at 1.31 year. As noted above, we are positioned for a steeper 2 year-10 year yield curve in the U.S. The only market where we now have a significant bearish bias is the UK, where we remain concerned about the growth, interest rate and political outlook. We also expect UK 10-year real rates to rise, consistent with the uptrend in nominal rates and also because of a potential slowdown in UK inflation later in the year. Our views on inflation are unchanged, and in fact, have been reinforced by movement in commodity prices. Our positive view on inflation-linked bonds in Europe, the U.S. and Japan remains one of our main conviction ideas, as our macro forecasts call for a moderate uptrend in inflation throughout 2018.</p>

Figure 9:



Source: Amundi Asset Management. Data as of 31 May 2018.

Spread duration remains relatively light

Likewise with our Spread duration, where risk remains quite low. This reflects the team's view that corporate credit valuations are stretched and vulnerable to the removal of the ECB's Quantitative Easing measures. We started the month with a spread duration of 0.75 year and finished May with a spread duration of 0.43 year, but the composition of this spread duration exposure did change during the month. As mentioned last month, we had de-risked the portfolio by reducing the portfolio's basis risk. In the Investment Grade space, we allowed our spread duration to increase back to 0.35 year from a flat position at end-April, whilst our High Yield exposure is 0.05 year, and we now have a similar exposure to EM (0.05 year). There are, in our opinion, attractive opportunities in EM space right now but it's probably better to wait to see how appetite for global risk develops before committing to EM again.

Our U.S. Dollar exposure has slightly increased, mainly due to optionality

On the FX and Commodity side, it was a continuation of the picture seen in April, where we continue to maintain a long U.S. Dollar exposure, mainly via option structures. In fact, our U.S. Dollar weighting has increased from 21% at the start of May to over 26% by month-end (it actually peaked at close to 31% in early May). Our next largest overweight position is the Japanese Yen (11.5%), which we see as an attractive hedge against our Macro view being incorrect. On EM FX, we like the Chinese Yuan versus USD and EUR, as it is supported by positive fundamentals on the macro side, a broadly fair valuation, and positive technical factors such as positive carry and possibility of attracting more flows on the back of global bond benchmark inclusion of Chinese onshore bonds. We see other opportunities in the FX market, in particular in the Norwegian Krona vs the Euro - based on oil trending higher and a hawkish Norwegian central bank. Against that, we remain short the Korean Won, Singapore Dollar and the Omani Rial.

Commodity exposure unchanged

In Commodities, our exposure was pretty much unchanged, finishing May at 10.1% compared to the end-April level of 10.05%. We maintain our long Gold position (but more as a hedge against market turmoil and/or geopolitical risk, rather than having a positive view on the metal), and have maintained our long Oil position, although we did reduce the position when we took some profits in late May. We continue our preference for agricultural commodities.

The dynamic management of hedging is, in our opinion, crucial in the current environment. To hedge from the risk of increased protectionism and trade taxes, S&P500 put options and long

<p>Hedging strategies are crucial</p>	<p>Yen positions vs the Australian Dollar could help smooth market volatility. Gold exposure may help to protect against geopolitical risks. On credit, we believe investors should carefully manage the liquidity risk and the risk of spread widening. The asset class has very elevated valuations and further spikes in volatility could be mitigated by buying protection in the segment of the market most vulnerable to a risk-off mode – high yield. The indicated hedges should also work in case of a rapid and unexpected deterioration of the macro outlook.</p>
<p>Still in “capital-preservation” mode</p>	<p>In summary, we maintain our views and are relatively more favourable towards equities versus fixed income on a risk-adjusted basis. We are maintaining a shorter investment horizon; focusing on our Thematic and Satellite Strategies to generate alpha; utilising optionality with the aim of protecting the Portfolio from “fat tails”; and attempting to take advantage of mispriced opportunities. As noted earlier in this commentary, we remain in “capital preservation” mode at the moment.</p>

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Risk and Reward Profile of Class A EUR ND



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