Monthly Portfolio Update

*Amundi Funds II – Euro Strategic Bond**

30 April 2018

BOND COMMENTARY

Market Review

Investor risk appetite returned to markets in April, despite initials concerns about a further escalation in geopolitical tensions and fragile trade relationships. U.S. Treasury yields continued to climb towards the psychologically important 3% level, amid continued speculations that the Fed would need to tighten monetary policy at a faster pace than signalled.

The move in Treasury yields, coupled with trade tensions, weighted on the performance of Emerging Markets (EM) debt, while U.S. High Yield (HY) and Euro HY posted modest positive absolute returns in local currencies. Higher Treasury yields also supported the U.S. Dollar.

Volatility in markets declined over the month, in line with the improved investor sentiment towards risk assets.

Portfolio Review

The Portfolio delivered marginal positive returns in April. Positive contribution to returns came from our duration management and our preference for HY. Detracting from performance was our selection in EM Corporate Bonds and positioning in Local Currencies.

The Portfolio continues to hold significant exposures to credit markets, with the majority invested in EM and Euro HY securities, with a bias towards EM. Within these EM investments, the Portfolio favours Corporates over Sovereign bonds. We favour EM over HY on valuation grounds. With spreads having come in significantly in recent years on the back of loose central monetary policies and investors reaching for yield, we see less scope for positive returns in HY going forward. On the other hand EM issuance remains supported by improved fundamentals and a solid macro econmic backdrop. We favour sectors like Energy and Financials which can perform despite mounting inflationary pressures.

In terms of countries, we favour Brazil, Russia and South Africa. We also hold exposure to Greek Banks and Government Bonds based on our belief that Greece could sucessfully exit the bailout programme.

In local currencies (c. 4%) we favour MXN and ZAR.

We continued to reduce Portfolio risk again in April. As a result, we have reduced credit spread duration and raised our cash position.

We continued to manage our exposure to interest rate sensistivity actively over the period. We ended the month short -1.4 years, in line with last month. The yield-to-maturity of the Portfolio was unchanged at c. 5% at the end of the April.

Outlook

Overall we remain moderately constructive in our outlook on markets for 2018. The current market volatility has not led us to revise this view.

We continue to expect a broad-based and robust global expansion, but not without risks and further volatility in asset prices.

In our view, the most likely sources of risk in the market logically flow from the conduct of monetary policies and thus Central Banks' behaviour. Thus we continue to believe that the outlook could be dependent on Central Banks' actions, with a potentially greater impact from geopolitical events.

With asset prices still extended, we note that risks appear skewed towards the downside. Central Banks globally have indicated a desire to normalise monetary policy and market participants have begun to worry that Central Banks are behind the curve and that inflationary pressures are building. While we think that risks to inflation are tilted to the upside, we believe there is less likely to be a sudden and uncontrolled jump in inflation. As a result, we believe that Central Banks should remain accommodative but are also very gradually prepare the markets for a

* Prior to 16 February 2018, Pioneer Funds – Euro Strategic Bond

softening of this policy stance. In addition, we have seen a shift towards fiscal expansion in the U.S. and Europe which combined, leads us to expect upward pressure on bond yields.

We do not, however, see a trigger for default rates to move significantly higher from here as long as growth remains solid and interest rates low, in our opinion.

We reflect on our moderate constructive view through our preference for EM and HY issues which are well supported as a result of the higher yield on offer in a low yield environment and an improved macroeconomic backdrop. This positioning in the Portfolio is balanced with a short duration stance, whilst maintaining flexibility via a longer cash balance - a position which relatively reduces the rate sensitivity and therefore convexity of the overall Portfolio. We continue to look closely at our issuers for signs of fundamental performance trend change, as part of a process of active beta management. Another benefit of this approach is our ability to play specific yield opportunities as they arise, such as exposure to leverage loans.

Overall, political uncertainty and Central Banks dampened volatility continue to play a major role both in the U.S. and Europe. Hence we believe it is important to maintain a well-diversified Portfolio and to focus on active management, quality of assets and downside risk mitigation, which could be crucial in the current market.

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Date of First Use: 16 May 2018

Doc ID: 499460