View from the 20th Floor

*Amundi Funds II – Absolute Return Multi-Strategy**

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 US Federal Reserve

PERSPECTIVE	
The importance of effective communication	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". **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'." **Hacker:** "What's the difference?" **Humphrey:** "Well, 'under consideration' means we've lost the file, 'under active consideration' means we're trying to find it."
Absolute Return funds can be difficult to analyse and understand	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.
What we try to do…	Here are some of the things that we say we try to do: (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

Amundi ASSET MANAGEMENT

For Professional Clients Only

Marketing Material

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

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

	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). (3) **Build a Portfolio that is uncorrelated to bonds and equities:** our performance numbers so far this year illustrate an important point – being long equities does not equal having a positive correlation to equity indices. 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. (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 manged 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.
Being well-prepared is key	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.
PERFORMANCE	
European geopolitical risk makes a reappearance	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.
U.S. equity markets had a strong month in May, bringing year-to-date, performance into positive territory.	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. 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

European equity markets experience mixed performance	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. Against that, the German IfO survey was steady at 102.2 and the depreciation of the Euro might help exporters in the 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.
Asian equity markets were mostly negative with a couple of exceptions	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.
EM equity markets suffered in May	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.
Mixed returns from fixed income markets	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 U.S. 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 geopolitical risk in Asia, and decent economic reports was suggesting that the path of least resistance, was towards higher global bond yields, especially with U.S. inflation hitting 2.5%. In terms of steepness of the curves, both the U.S. 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 U.S. 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%, U.S. 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. In the

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

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.

Investment-Grade & High Yield underperform significantly

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%.

Commodities also had a mixed month

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%).

U.S. Dollar continues to appreciate strongly

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.

Figure 1
Market Performance in May 2018

Equities	Return (%)	Fixed Income	Return (%)
MSCI World Index - Daily, TR, Net USD	+0.63%	JPM GBI EMU 3-5 Years - Local	-1.33%
S&P 500 TR Index	+2.41%	JPM GBI EMU 5-7 Years - Local	-1.41%
EURO STOXX 50 NR Index	-2.52%	JPM Emerging Markets Bond Index	-1.63%
FTSE 100 TR Index	+2.80%	**Fixed Income - Corporate**	**Spread**
DAX TR Index	-0.06%	iTraxx Europe Main Generic 5yr	+15bps
FTSE MIB NR Index	-7.97%	iTraxx Europe Xover Generic 5yr	+35bps
Topix NR Index	-1.67%	**FX**	**Return (%)**
MSCI Emerging Markets - Daily, TR, Net USD	-3.54%	EUR/USD Spot	-3.19%
Commodities	**Return (%)**	EUR/GBP Spot	+0.21%
TR/CC CRB (Commodity Futures Index)	+0.43%	EUR/JPY Spot	-3.65%
Oil - West Texas	-2.23%	EUR/CHF Spot	-3.67%

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

Oil – Brent	**+3.02%**	**US Dollar Index Spot**	**+2.33%**
Gold Spot	**-1.28%**	**JPM EM Currency Index**	**-3.72%**
Copper Spot	**+1.10%**		

Source: Bloomberg as at 31 May 2018.

The Portfolio has delivered a positive return so far in 2018

Figure 2
Portfolio performance Year-to-Date to 31 May 2018

	YTD
Amundi Funds II – Absolute Return Multi-Strategy - "A" Class	+0.58%

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.

Ask The Portfolio Manager?

Q. Do portfolio managers have to get approval for their investment ideas before implementing them?

A. Portfolio managers have the discretion to implement their own investment ideas up to a certain size in terms of risk budget. For the Absolute Return Multi-Strategy fund, no permission is needed if investment ideas are below 30bps of risk. Any position in excess of 30bps 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.

May 2018 Performance Contribution

- 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 U.S. Dollar position was by far the biggest contributor to positive performance, given the strength of the U.S. Dollar’s appreciation during the month, and our Non-EUR Duration position (mostly long U.S. 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 U.S. Dollar, Japanese Yen, Sterling and Swiss Franc paid dividends - given the afore-mentioned Euro weakness. 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 U.S. Opportunities position is a basket of our favourite U.S. 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.

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

Best Performing Strategies in May 2018

Figure 3
Best Performing Strategies

Five Best Performing Strategies	
Investment Pillar	**Theme**
Macro Strategy	FX Major
Macro Hedging	FX
Macro Hedging	Equity Volatility
Macro Thematic	Longevity
Satellite - Equity	US Opportunities

Source: Amundi Asset Management. Data as at 31 May 2018. Past performance does not guarantee and is not indicative of future results.

Worst Performing Strategies in May 2018

Figure 4
Worst Performing Strategies

Five Worst Performing Strategies	
Investment Pillar	**Theme**
Macro Strategy	Euro Equity
Macro Strategy	Equity Risk Premia
Satellite - Spread	High Yield
Macro Strategy	EM FX
Macro Strategy	Argentina Duration

Source: Amundi Asset Management. Data as at 31 May 2018. Past performance does not guarantee and is not indicative of future results.

Long-Term Performance

Figure 5
Portfolio Performance

As at 31 May 2018	YTD (%)	1 Year (%)	3 Years p.a. (%)	5 Years p.a. (%)	260 Day Vol. (%)	Sharpe Ratio (3Yr)
Amundi Funds II – Absolute Return Multi-Strategy "A" Class	0.58%	1.72%	0.38%	2.11%	2.74%	0.44

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. Inception date: 12/12/2008.

Risk Profile

Figure 6
Portfolio Risk
Risk Profile: Amundi Funds II – Absolute Return Multi-Strategy

	31/05/2018	**30/04/2018**	**31/03/2018**	**28/02/2018**	**31/01/2018**
Portfolio VaR:	**1.57%**	**2.18%**	**1.39%**	**1.68%**	**1.73**
Sum of Standalone risk:	7.52%	8.35%	8.80%	9.64%	9.68
Diversification benefit*:	5.95%	6.17%	7.41%	7.96%	7.95

Source: Amundi Asset Management, as at 31 May 2018. Past performance does not guarantee and is not indicative of future results.
* Diversification does not guarantee a profit or protect against a loss.

Summary Asset Allocation

Figure 7
Portfolio Asset Allocation (market value %)

Asset Class	Market Value (%)
Equities	**20.2%**
Fixed Income	**53.1%**
Government Bonds	23.9%
Corporate Bonds	28.6%
Commodities	**5.4%**
Real Estate	**0.4%**
Forex	**-1.3%**
Cash	**22.2%**

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

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

REVIEW & OUTLOOK

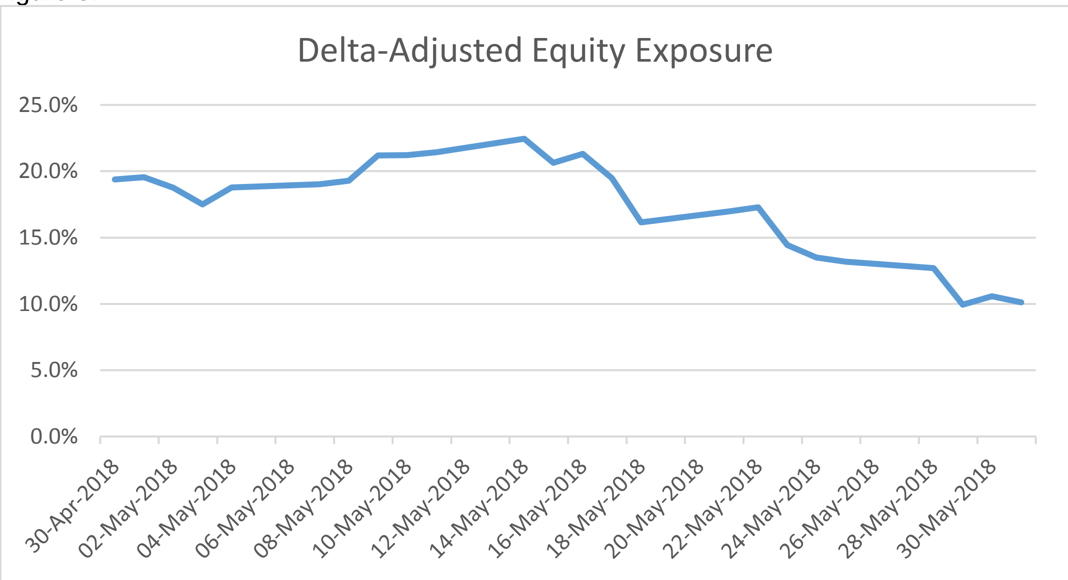
Maintaining a mildly positive view on risky assets

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 diversify[1] 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 20% and finished May with an exposure of just over 10%, which reflects our more cautious view on markets, especially as Italian political worries increased.

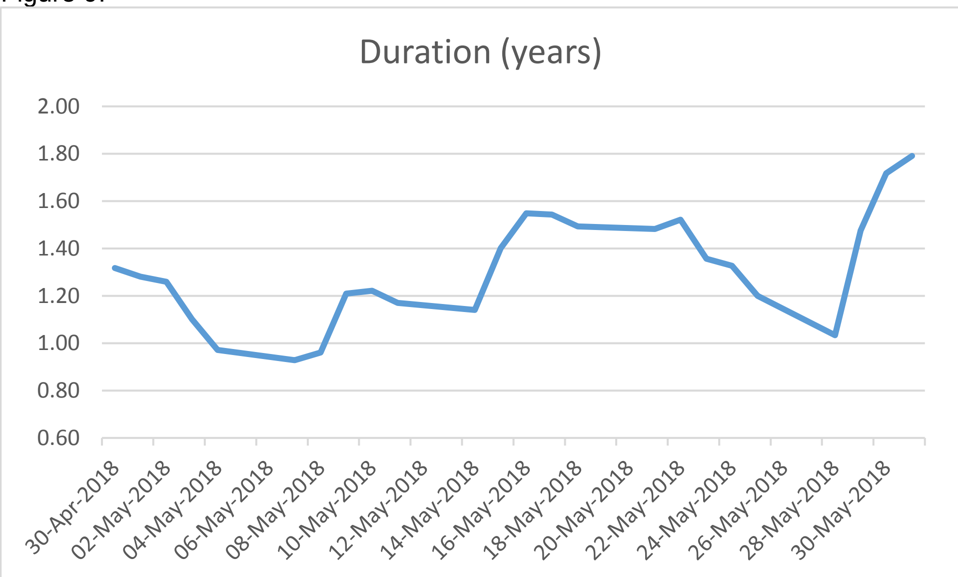
Figure 8:



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 increased it in April

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. In early May we actually moved from a long position in European banks to a short position, which 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.

	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. Overall we remain long in the US, slightly long in Europe and the UK, and we are positive but with low exposure in both Japan and EM.
Still prefer investment-grade corporates to sovereigns	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.
Duration exposure has increased , but still at relatively low levels compared to the past **Positive on inflation-protected bonds globally**	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 1.32 years at end-April, to finish May at 1.79 years. We are still long in Europe (about 0.5 year duration, but lower than last month's 0.8 year), whilst our biggest contributor to duration is now in the U.S. where our exposure has increased from last month's 0.6 year to finish May at 0.85 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 in the UK, where we remain concerned about the growth, interest rate and political outlooks. 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.
	Figure 9:  Source: Amundi Asset Management. Data as of 31 May 2018.

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

Spread duration remains relatively light	Likewise with our Spread duration, 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 0.3 year and finished May with an unchanged spread duration of 0.3 year, however 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 0.20 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 the 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 11% at the start of May to over 13% by month-end (it actually peaked at close to 17% in early May). Our next largest overweight position is the Japanese Yen (6%), 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 5.4% compared to the end-April level of 5.5%. 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.
Hedging strategies are crucial	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 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.
Still in "capital-preservation" mode	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.

Contributors:

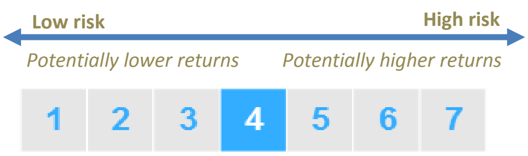
Davide Cataldo
Head of Multi-Strategy Portfolios

David Greene
Client Portfolio Manager

Federica Masciaga
Senior Portfolio Manager

Matteo Ortisi
Senior Portfolio Construction Manager

Risk and Reward Profile of Class A EUR ND



The above risk indicator ranks potential risk and reward and is consistent with the risk limits set for the Sub-Fund. Historical data such as that used in calculating this synthetic indicator, may not be a reliable indication of the future risk profile of the Sub-Fund. The lowest category does not mean a “risk-free” investment. The Sub-Fund’s risk indicator is not guaranteed and may change over time. The Sub-Fund’s risk category reflects the fact that the Sub-Fund seeks positive returns in all market conditions. For un-hedged currency classes, exchange rate movements may affect the risk indicator where the currency of the underlying investments differs from the currency of the unit class. For additional key risks, please see the key investor information document.

Important Information

This material is provided to Professional Clients, including financial intermediaries, and is not intended for and should not be provided to the public. This document contains information about investment services provided by Amundi group companies or undertakings for collective investment in transferable securities (the “Funds”) established under the laws of Luxembourg and authorised for public distribution by the Commission de Surveillance du Secteur Financier. The management company of

- Amundi Funds, Amundi Funds II, Amundi SICAV II, Amundi Fund Solutions and First Eagle Amundi is Amundi Luxembourg S.A., 5, allée Scheffer, L-2520 Luxembourg;
- CPR Invest is CPR Asset Management, 90 Boulevard Pasteur, 75015 Paris, France;
- KBI Institutional ICAV is KBI Global Investors Ltd., 2 Harbourmaster Place, International Financial Services Centre, Dublin 1, Ireland.

This material is for information purposes only, is not a recommendation, financial analysis or advice, and does not constitute a solicitation, invitation or offer to purchase or sell any the Funds or services described herein in any jurisdiction where such offer, solicitation or invitation would be unlawful. This material has not been submitted for regulatory approval and is solely for issue in permitted jurisdictions and to persons who may receive it without breaching applicable legal or regulatory requirements. The information contained in this document is confidential and shall not, without prior written approval of Amundi Ireland Limited (“Amundi”), be copied, reproduced, modified, or distributed, to any third person or entity in any country. The Funds described in this document may not be available to all investors and may not be registered for public distribution with the relevant authorities in all countries.
Investment involves risk. **Past performance is not a guarantee or indication of future results.** Investment return and the principal value of an investment in the Funds or other investment product may go up or down and may result in the loss of the amount originally invested. All investors should seek professional advice prior to any investment decision, in order to determine the risks associated with the investment and its suitability. It is the responsibility of investors to read the legal documents in force in particular the current prospectus for each Fund. Subscriptions in the Funds will only be accepted on the basis of their latest prospectus and/or the Key Investor Information Document (“KIID” available in local language in EU countries of registration) which, together with the latest annual and semi-annual reports may be obtained, free of charge, at the registered office of Amundi Luxembourg S.A. or at www.amundi.lu. In Italy, this documentation is available at www.amundi.it. Information relating to costs and charges of the Funds may be obtained from the KIID.
The performance data do not take account of the commissions and costs incurred on the issue and redemption of units of the Funds.

In **EEA** Member States, the content of this document is approved by Amundi for use with Professional Clients (as defined in EU Directive 2004/39/EC) only and shall not be distributed to the public. Amundi Ireland Limited is authorised and regulated by the Central Bank of Ireland. KBI Institutional ICAV is a collective investment scheme established under Irish law. Société Générale, Dublin Branch 3rd Floor, IFSC House, IFS, Dublin 1 is the facilities agent for those sub-funds of Amundi Funds, Amundi Funds II, First Eagle registered in Ireland.

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

In **the UK**, this document is approved for distribution by Amundi Asset Management London Branch), 41 Lothbury, London, EC2R 7HF. Amundi Asset Management is a portfolio management company authorised by the Autorité des Marchés Financiers in France and its London Branch is subject to limited regulation by the UK Financial Conduct Authority. Further information of this authorisation is available on request. Amundi Funds SICAV, First Eagle Amundi SICAV, CPR Invest SICAV, KBI Institutional ICAV and Amundi SICAV II are recognised schemes for the purposes of Section 264 of the Financial Services and Markets Act 2000 (the "FSMA") of the UK and can be promoted and sold direct to the public in the United Kingdom subject to compliance with the FSMA and applicable regulations made thereunder. Amundi Funds II is an unregulated collective investment scheme under ("FSMA"). Potential investors in the UK should be aware that none of the protections afforded by the UK regulatory system will apply to an investment any of the Funds and that compensation will not be available under the UK Financial Services Compensation Scheme. This document is addressed only to those persons in the UK falling within one or more of the following exemptions from the restrictions in s 238 FSMA:

- authorised firms under FSMA and certain other investment professionals falling within article 14 of the FSMA (Promotion of Collective Investment Schemes) (Exemptions) Order 2001, as amended (the "CIS Order") and their directors, officers and employees acting for such entities in relation to investment;
- high value entities falling within article 22 CIS Order and their directors, officers and employees acting for such entities in relation to investment;
- other persons who are in accordance with the Rules of the FCA prior to 1 November 2007 classified as Intermediate Customers or Market Counterparties or on or thereafter classified as Professional Clients or Eligible Counterparties.

The distribution of this document to any person in the UK not falling within one of the above categories is not permitted by Amundi Asset Management London Branch and may contravene FSMA. No person in the UK falling outside those categories should rely or act on it for any purposes whatsoever.

In **Switzerland**, this document is for Qualified Investors (as defined in Swiss Collective Investment Schemes Act of 23 June 2006 as amended or supplemented) use only and shall not be distributed to the public.

The Representative and Paying Agent for Funds registered for distribution in Switzerland are, in respect of Amundi Funds II: BNP Paribas Securities Services, Zurich Branch, Selnaustrasse 16, 8002 Zurich Amundi Funds and First Eagle Amundi: Representative - CACEIS (Switzerland) SA and Paying Agent - CACEIS Bank, Nyon Branch both at 35 Route de Signy, Case postale 2259, CH-1260 Nyon; KBI Institutional Fund SICAV: Representative – ACOLIN Fund Services AG, Affolternstrasse 56, CH-8050 Zurich and Paying Agent – NPB Neue Privat Bank AG, Limmatquai 1, CH-8001 Zurich. Free copies of the prospectus, key investor information documents, annual and semi-annual reports, management regulations and other information are available at the representative's address shown above.

Amundi Suisse SA has been authorized in Switzerland to distribute the Funds. Amundi Suisse SA. Amundi Suisse SA receives from Amundi Luxembourg S.A. or other Amundi group entities, compensation under article 34 al. 2bis of the OPCC (Ordonnance sur les placements collectifs de capitaux). Such compensation may constitute a part of the management fees stated in the prospectus of the Funds and further information may be obtained upon written request to Amundi Suisse S.A., 6-8 rue de Candolle 1205 Genève Suisse.

In **France**, a free prospectus is available from Amundi Asset Management, 90 boulevard Pasteur -75015 Paris - France - 437 574 452 RCS Paris France or from the centralisateur of the Funds which in the case of Amundi Funds SICAV and CPR Invest SICAV is CACEIS Bank SA, 1-3 place Valhubert, 75013 Paris and in the case of Amundi Funds II and First Eagle Amundi SICAV is Société Générale, 29 Boulevard Haussmann, 75008 Paris.

In **Germany**, for additional information on the Fund, a free prospectus may be requested from Amundi Deutschland GmbH, Arnulfstr. 124-126 80636 Munich, Germany (Tel. +49.89.99.226.0).
In **Austria** the paying agents for Funds registered for public distribution in are, in respect of Amundi Funds II and Amundi Fund Solutions: UniCredit Bank Austria AG, Schottengasse 6-8, A-1010 Vienna Amundi Funds: Meinl Bank Aktiengesellschaft, Bauernmarkt 2, A-1010 Vienna; First Eagle Amundi: Société Générale, Vienna Branch, Prinz Eugen Strasse 8 - 10/5/Top 11, A-1040 Vienna; CPR Invest: Raiffeisen Bank International AG, Am Stadtpark 9, A-1030 Wien; and KBI Institutional ICAV: Erste Bank der oesterreichischen Sparkassen AG, Am Belvedere 1, A-1100 Vienna.

In **Spain**, the Funds are foreign undertakings for collective investment registered with the CNMV and numbered Amundi Funds II (226); Amundi S.F (493); Amundi Fund Solutions (1333); Amundi Funds (61) First Eagle Amundi (111); CPR Invest (1564);and KBI Institutional ICAV (1248). Any investment in the Funds or their respective sub-funds must be made through a registered Spanish distributor. Amundi Iberia SGIIC, SAU, is the main distributor of the Funds in Spain, registered with number 31 in the CNMV's SGIIC registry, with address at Pº de la Castellana 1, Madrid 28046. A list of all Spanish distributors may be obtained from the CNMV at www.cnmv.es. Units may only be acquired on the basis of the most recent prospectus, key investor information document and further current documentation, which may be obtained from the CNMV. In Chile and Peru, this document is approved for use by Administradora de Fondos de Pensiones/Pension Fund Administrators and other institutional investors.

In **Mexico**, this document is approved for use with institutional investors. It may not be distributed to third parties or to the public.

In **Singapore**, this document is provided solely for the use of distributors and financial advisors only and is not to be distributed to the retail public. Distribution occurs through Amundi Singapore Ltd, 168 Robinson Road, #24-01, Capital Tower, Singapore 068912. This document contains information about certain sub-funds of Amundi Funds and First Eagle Amundi SICAV which may be registered as recognised schemes in Singapore under the Securities and Futures Act (Cap. 289) of Singapore ("SFA"), or notified as restricted schemes under the Sixth Schedule to the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2005, while certain sub-funds of Amundi Funds II are restricted schemes. For the sub-funds or relevant share/unit classes notified as restricted schemes in Singapore, such sub-funds or relevant share/unit classes are not authorised or recognised by the Monetary Authority of Singapore ("MAS") and are not allowed to be offered to the Singapore retail public. Accordingly, this document and the material contained within, may not be circulated or distributed, nor may the relevant shares/units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 304 of the SFA, (ii) to a relevant person pursuant to Section 305(1), or any person pursuant to Section 305(2), and in accordance with the conditions specified in Section 305 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. In other Asian jurisdictions, for use by licensed intermediaries only and not to be distributed to the public.

This information is not for distribution and does not constitute an offer to sell or the solicitation of any offer to buy any securities or services in **the United States** or in any of its territories or possessions subject to its jurisdiction to or for the benefit of any U.S. Person (as defined in the prospectus of the Funds). The Funds have not been registered in the United States under the Investment Company Act of 1940 and units of the Funds are not registered in the United States under the Securities Act of 1933.

Date of publication: 08/06/2018

Doc ID: 521703

Amundi ASSET MANAGEMENT