CONFIDENCE MUST BE EARNED

Amundi ASSET MANAGEMENT

MONTHLY LETTER – April 2021 | Produced by the Investment Communication team

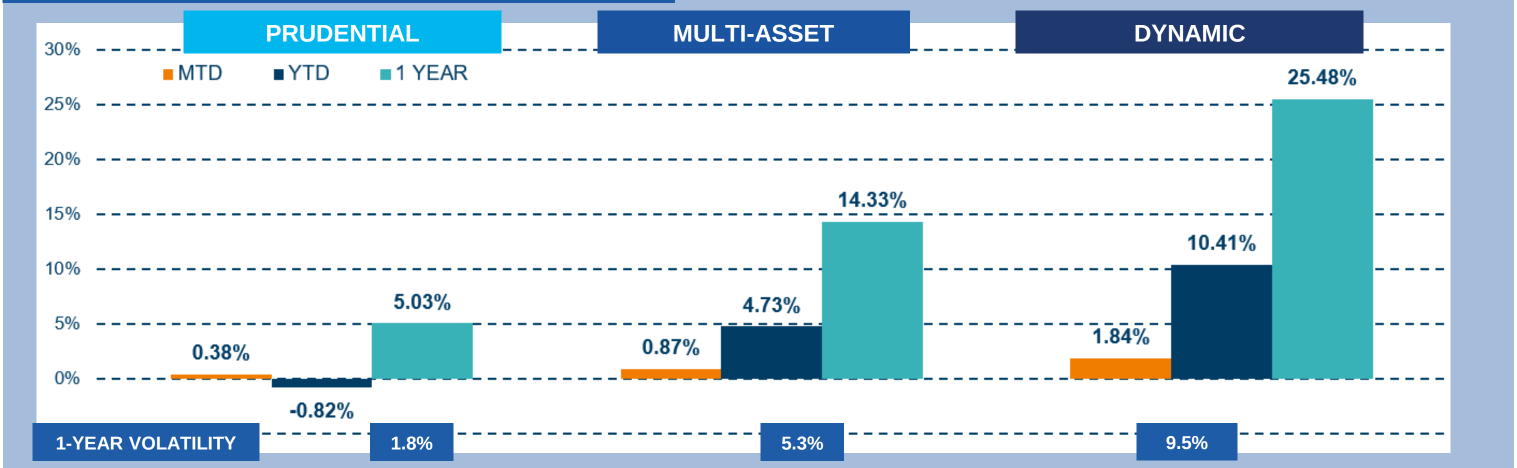
Monthly trend - **markets**

Bonds: European medium-long-term yields rose following encouraging vaccination progress; BTPs were weaker due to the greater supply of Italian paper on the primary market. US long yields fell due to the closure of short positions and reassurance from the Fed on its accommodative policy. Credit was positive in Europe (especially HY), and even better in the US, thanks to the falls in yields and spreads. Emerging debt staged a recovery on the back of US yields, although European investors were impacted by the currency effect. **Equities:** the global indices followed in the slipstream of the US stock markets, which rose strongly thanks to vaccination progress and further fiscal stimulus measures. Emerging markets were mixed: LatAm rose, thanks to Brazil, and Asia was up slightly, driven by China (positive macro data); meanwhile, geopolitical tensions in Russia weighed on Europe. **Commodities:** on the up, especially cyclicals; gold bounced higher. **Currencies:** the euro was boosted by the acceleration of vaccination campaigns.

	Performance		Last 12 months	
Index	MTD	YTD	Perf.	Volatility
EONIA	-0.04%	-0.16%	-0.48%	0.02%
Barclays Euro Aggregate Bond	-0.71%	-2.59%	1.31%	2.83%
Barclays Global Aggregate Bond	1.26%	-3.25%	3.95%	3.41%
ICE BofAML Global HY	1.52%	1.44%	22.03%	10.95%
JPM EMBI	2.22%	-2.42%	15.97%	5.55%
MSCI World	2.18%	11.61%	32.23%	15.21%
MSCI EM	0.06%	6.55%	35.31%	15.65%
USD vs. Euro	-2.30%	1.68%	-9.06%	6.12%

Source: Amundi, Bloomberg. Figures updated as at 30/04/2021; bond data in local currency, equities in euro.

PERFORMANCE AND FUND VOLATILITY



Source: Amundi. Performance refers to E class net of management fees and gross of tax, updated as at 30/04/2021.

Analysis - **performance**

Monthly performance was positive for funds mainly invested in equities.

- **Negative contribution from bonds** despite outperforming the aggregate indices thanks to a focus on credit and flexible strategies, notably Jupiter (US and Australia long rates) and Amundi Strategic Bond (long HY credit); while funds exposed to USD did well. The higher duration strategies (MS Euro Strategic, Fidelity Euro Bond, BlueBay Euro Aggregate) did not perform well. The RV Italy vs Germany 30y and 2-10y UK curve steepening strategies also fared poorly.
- **Equities made a positive contribution** to M-A and Dynamic, mainly driven by long positions on the US (via derivatives and funds), while Europe positions were up slightly; the positions on Japan and long RV Russia vs MSCI EM strategy made a negative contribution, while the long position on China was slightly negative. US and Europe fund picks did well, but the Japan selection made a negative impact. For Prudential, the derivatives positions made a positive contribution.
- **Liquid alternative** positions did well, particularly the equity market neutral (Exane Pleiade, Man GLG Alpha Select), long/short (Exane Overdrive), event driven (Tiedemann) and multi-strategy (Schroder) funds.
- **Hedging**: hedges on US interest rates and credit did badly.

CONTRIBUTION TO MONTHLY PERFORMANCE

- EQUITIES (US, THEN EUROPE)
- LIQ ALT (L/S EQUITY, EVENT DRIVEN)
- UNCONSTRAINED BOND FUNDS
- HY EURO FUNDS

- EURO BOND FUNDS
- HEDGING ON INTEREST RATES AND CREDIT
- RV STRATEGIES ON INTEREST RATES

Source: Amundi Asset Management.

Our view

The macro data, vaccination progress and accommodative central banks support **a risk-on stance**. In the current phase, rather than increasing the risk budget, given the expensive level of valuations (though not to an extent to require structural de-risking), we think it appropriate to rotate the portfolio into regions/sectors that will benefit more from the economic recovery. Signs of excessive euphoria in some segments, indications of market strains and the need to have a clearer picture on future central bank communications could make it necessary to adopt a slightly more cautious approach. **We remain constructive on equities**, favouring developed countries; we expect Europe to benefit from the reopening, the acceleration of vaccinations and robust EPS growth; we maintain our positive view on Japan (cyclical market); while on emerging markets, which are under pressure from the strong dollar and pandemic management difficulties, our preference is for Asia (China). Bonds: **we remain cautious on core nominal yields and are positive on US inflation** (expected to rise further after the approval of the $1.9 trillion fiscal plan); we are constructive on peripheral countries, especially Italy, thanks to ECB asset purchases; **credit is still our top pick** based on technical factors and solid fundamentals; our focus is on the HY segment, given record low financing costs and low duration; and we are moderately positive on emerging debt, although risks relating to growth/high inflation will need to be monitored. A significant increase in US yields remains the main risk factor; as such, hedging strategies are appropriate.

Amundi Cross-Asset Convictions

	1 month change	---	--	-	0	+	++	+++
Equities						□		
Credit						□		
Duration					□			

Source: Amundi Asset Management, as at 19 April 2021.

Transactions and positioning

We have adopted a risk-on stance, with equity exposure still close to the highs of last year, and a preference for cyclical themes (European value segment, small caps, energy). In fixed income, we have strengthened hedges on US interest rates, and we have maintained our preference for credit and unconstrained strategies. Hedging: we have put in place hedges on IG credit, but did not replace the put options on equity indices that expired during the month.

Bonds

- We reduced the UK curve steepening position by half.
- The bond allocation allows for a significant role for flexible/unconstrained strategies, mainly oriented towards Europe. Via a basket of funds, we are exposed to the European aggregate and corporate segments (ECB support), and to the US bond market (both aggregate and corporate).
- The long positions on US 10-year inflation (via swaps) and on the 10y BTP-Bund spread (via futures) were maintained.
- HY: Prudential has direct exposure to the European market via the Nordea fund.
- We have direct exposure to EM sovereign debt via the iShares EM Hard Currency ETF.

Equities

- We took partial profits on Prudential. On M-A and Dynamic, we slightly increased UK small caps (futures on the FTSE 250) and Europe in general.
- Relative value strategies: in China, we maintained the long position on the HSCEI index, while closing out the RV MSCI China vs FTSE China position; we also added a long RV position on the European energy sector vs the MSCI Europe, and closed out the long position on the European dividend index vs the Euro Stoxx. Our other RV positions are: long ETF Amundi MSCI Europe Value vs MSCI Europe, and long ETF iShares MSCI Russia ETF vs MSCI EM.
- For M-A and Dynamic, we are focusing on the more cyclical regions - Europe, Japan and EM. For Prudential, this exposure has been obtained via futures on the different regions.
- Fund component: in Europe, we purchased ABN AMRO MM Pzena (deep value strategy). Funds: Europe - Acadian and Eleva (multifactorial quant), Allianz and Schroder European Special Situations (growth), Memnon (core), MFS and Schroder (core, quality), Sparinvest, J O Hambro (value) and ABN AMRO; US - Aristotle, Parnassus and AB (core), Axa Rosenberg (quant), JPM (blend), Robeco US Premium (value), Morgan Stanley and Loomis Sayles (growth), Parvest (small caps), Threadneedle (contrarian); Japan - Invesco (growth), Man GLG (value) and Pictet.

Liquid Alternatives

- We reduced exposure to Helium Fund Selection and Lyxor Tiedemann Arbitrage and introduced Man GLG Event Driven. In addition, we purchased Pictet Atla Titan (long/short equity) and Candriam Diversified Futures (in the latter case to replace the Winton Diversified trend following strategy; we then reduced BSF Fixed Income Strategies and Candriam Credit Opportunities, which are likely to have fewer opportunities in the current market phase.
- Diversified basket by strategies and funds: event driven (Helium, Lyxor Tiedemann, Man GLG), global macro (BlueBay, Candriam) and multi-strategy (Schroder Gaia 2 Sigma), Long/Short Equity (Pictet Atlas, Man GLG Alpha Select, Marshall Wace, AKO Global, Exane Overdrive, Majedie Tortoise) and market neutral (Exane Pleiade, Candriam, Sandbar).

Hedges

- The equity market hedges expired and were not replaced.
- Interest rates: hedges on US duration were restructured and strengthened, with the sale of the options with April expiry (which generated value) and replacement with a put spread (July expiry).
- On the credit side, hedges are in place on the IG segment, with June expiry.
- We currently hold a small position in gold.

Asset allocation

	Prudential		Multi-asset		Dynamic	
	Mar-21	Apr-21	Mar-21	Apr-21	Mar-21	Apr-21
Bonds	**65.8%**	**67.9%**	**37.5%**	**39.4%**	**0.0%**	**0.0%**
Euro Aggr	10.6%	8.9%	14.0%	15.9%		
Flex bond	49.8%	53.4%	19.3%	19.3%		
Global Aggr	2.6%	2.7%	1.8%	1.9%		
HY Bond	1.4%	1.4%	1.0%	0.9%		
EM Debt	1.5%	1.6%	1.4%	1.4%		
Equities	**8.7%**	**6.7%**	**49.2%**	**48.9%**	**86.3%**	**85.4%**
Europa	**3.0%**	**2.4%**	**9.0%**	**11.4%**	**13.3%**	**15.9%**
- o/w funds			*9.0%*	*9.0%*	*12.4%*	*13.0%*
Usa	**3.8%**	**2.3%**	**30.4%**	**29.1%**	**57.3%**	**56.2%**
- o/w funds			*7.0%*	*12.4%*	*44.9%*	*50.6%*
Asia-Pacific	**1.0%**	**1.0%**	**6.6%**	**5.7%**	**11.6%**	**10.8%**
- o/w funds			*5.2%*	*5.3%*	*9.6%*	*8.9%*
Emerging	**1.0%**	**1.0%**	**3.2%**	**2.7%**	**4.2%**	**2.4%**
- o/w funds			*0.8%*	*0.8%*	*1.0%*	*1.3%*
Global						
Absolute Return	**23.1%**	**22.7%**	**25.0%**	**25.0%**	**18.5%**	**18.9%**
Long/Short Equity	8.9%	10.4%	13.7%	14.8%	11.5%	12.8%
Event Driven	7.5%	7.0%	6.3%	5.3%	5.2%	4.1%
AR Bond	1.6%	0.0%				
Global Macro	3.6%	3.6%	3.5%	3.4%		
Multi-Strategy	1.5%	1.7%	1.6%	1.6%	1.8%	1.9%
Commodities	**0.2%**	**0.2%**	**0.0%**	**0.0%**	**0.7%**	**0.7%**
Cash/other	**9.9%**	**8.8%**	**13.4%**	**7.7%**	**11.2%**	**6.2%**

Source: Amundi Asset Management. Data as at 31 March and 30 April 2021. The impact of any derivatives used is included in total equity exposure.

Portfolio Manager Commentary

	Portfolio Analysis	Actions
PRUDENTIAL	• In April, the MSCI World Equity index experienced a +4.7% advance in net USD total return terms. From a geographic perspective, it was the US indices which saw the largest advances, followed by Europe and Emerging Markets whilst Japan lagged. The US S&P500 had its fourth positive month in a row with a growth of +5.3% in April while the MSCI Europe ended up +2.4% in local total return terms for the month. Japanese equities were affected by concerns that stricter curbs to contain the virus will hamper its economic growth, as the country saw a surge in domestic infections this month with the Nikkei falling by -1.3% in total return terms. • Overall, the JP Morgan EMU Government short-dated bond indices had negative returns over the month, as yield in Europe generally rose with investors increasingly betting on a stronger economic recovery. The 3-5 year index fell -0.3% whilst the 5-7 year index posted a negative return of -0.6%. The JPM Emerging Markets Bond Index Plus Composite had a positive month rising by +1.9%. • Credit markets were supported by positive risk sentiment and technical were supported by dovish messages from central banks on perspective monetary policy. In European credit markets the European iTraxx Main credit index tightened by 2bps during the Month from +52bps at the end of March to +50bps by April-end, whilst the high yield Crossover Index tightened from +252bps to +249ps over April – a tightening of approx. 4bps. The Bloomberg Barclays Euro Aggregate index fell -0.7% during the month underperforming the Bloomberg Barclays US Corporate that posted a positive return of +1.1%. In the High Yield space the Credit Suisse HY index in USD terms rose by +1.1% over the month outperforming the Credit Suisse European HY index that grew by a smaller +0.1% • While outperforming the general Euro Aggregate bond market, the bond allocation posted small loss of -9bps in the month. Looking through to the underlying funds, Jupiter Dynamic bond was the biggest single fund contributor having been the biggest detractor last month with long exposures in both the US and Australia. Amundi Strategic Bond also was a positive contributor benefiting from its exposure to HY in both Europe and EM. On the negative side, our more benchmark focused managers, including MS Euro Strategic Bond, Fidelity Euro Bond and Bluebay Euro Aggregate all contributed negatively. • Our equity allocation added +29bps with the highest contribution from our US equity allocation through direct exposure and through call options. • Alternatives performed strongly adding +29ps with positive performance across nearly all managers. We saw good contributions from two equity market neutral manager, Exane Pleaide and Man GLG Alpha Select while the event driven allocation also continued to perform well. • Hedging detracted -7bps primarily led by our duration option positions. • Looking at the overlay strategies, the UK 2s10s steepener detracted -2bps in the month while the long Italy vs Germany 10y position also detracted -2bps.	• With equities near recent highs and after strong performance, we reduced the allocation in the portfolio over the course of the month to 6.7%, having touched a 10% weight during the month. • We closed the European Dividend replacement strategy (across all 3 funds) as we believe the asymmetry no longer favours the strategy. • On the duration side, we sold our existing options that expired in late April and that had performed well and added 1y duration in a July put spread (roughly +18bps/+47bps protection in yield terms). This cost roughly 5bps. • The UK 2s/10s steepener position was also halved. • In the selection allocation, 3 new funds were added in the alternatives allocation. We reduced our exposure to Helium Fund Selection and Lyxor Tiedemann Arbitrage adding the Man GLG Event Driven Fund to diversify the event driven allocation it the fund. Candriam Diversified Futures was added which replaces our trend following allocation in Winton Diversified and GLG Alpha Select. Finally GLG Alpha Select in the equity market neutral space, in turn we reduced BSF Fixed Income Strategies and Candriam Credit Opportunities where we believe there may be less opportunities in the current market. The overall exposure to alternatives was also increased to 23.0%.
MULTI-ASSET	• Overall equity exposure was 51% at the end of April. This was comprised of 30.5% in the US, 10.6% in Europe, 6.8% in Asia and 3% in EM. Our equity hedges have expired. • On the Activity side, we bought additional equity to increase the directionality via Europe (0.5%) and FTSE 250 (0.25%). We also reshaped our China equity position, selling -0.75% of the FTSE China A50, buying 0.75% of the MSCI China Free and buying 0.25% of the HSCEI. Net net, this leaves us long 1% HSCEI. On the bond side, we closed half of our UK steepener, which had performed well. Post month-end we have sold -6% equity (leaving total equity at 45%), in line with the Macro Strategy decisions. We've sold -1% US, -1.5% in Europe, -2% in Japan and -1.5% in EM. • On the hedging side, as mentioned above, our equity hedges expired and weren't replaced. Locally, we rolled and increased our US duration hedging. We sold our existing options that expired in late April and that had performed well and added 1y duration in a July put spread (roughly +18bps/+47bps protection in yield terms). This cost roughly 5bps. • In terms of relative value ideas, we added a 0.75% long EU Energy vs MSCI Europe position and a 0.9% US Financials vs S&P position and we also closed the long Eurostoxx 50 2023 Dividend position vs Eurostoxx during the month. • Otherwise, on the fund side, we added new funds on the Alternatives side, the Pictet Atlas Titan and Man GLG Event Driven, funded from the full sale of Winton and the reduction of other Alternative funds. On the European side, we added ABN Amro MM Pzena, a deep value fund. We have been using the cash made available from the loosening in liquidity requirements to buy US equity funds.	• On the performance side, the portfolio was +1.12% in April (gross), led by equity performance. MSCI World (EUR) was +2.18% and Euro Agg -0.71%. For the overlays (+50bps in April), selection is +0.60%, Macro Strategy +0.12% and Hedging -0.11%. • Selection: The selection performance was led by Alternatives (+40bps) and Euro Flex (+19bps) in April. The Alternatives performance was driven by Exane Overdrive (+9bps) and Schroder Two Sigma (quant fund, +6bps). Flexible bond selection has added +19bps, led by Jupiter Dynamic Bond (+4bps), which has a higher duration exposure (still -4bps ytd). Japan equity selection was the only selection detractor (-4bps) during the month although it remains +16bps ytd. • Macro Strategy: Our European equity position added in April and our long FTSE250 positions added +3bps each. We also benefitted from our allocation to US Corproate bond. Our weakest contributor was a long position in Japan equity (-4bps) and long Russia vs EM equity (-3bps). • Hedging: Duration hedging gave back -8bps in April, driving the performance here.

Portfolio Manager Commentary

	Portfolio Analysis	Actions
DYNAMIC	• The fund had a total exposure of 86.35% of equity at the end of the month, among which 57.6% invested in the US, 15% in Europe, 10.7% in Asia (8.2% in Japan) and 3% in Emerging Markets. • In terms of activities, European equity exposure was increased earlier in the month (macro strategy day), while the exposure to China was slightly reshaped keeping the long exposure to HSCEI while closing the relative value between MSCI China and FTSE china. As mentioned above, we now have a 1% exposure to HSCEI. • In terms of relative value ideas, we added a 1% long EU Energy vs MSCI Europe position and we also closed the long Eurostoxx 50 2023 Dividend position vs Eurostoxx during the month. • On the hedging side, the equity hedges for both Europe (put spread 3450/3250) and US (put spread 3620/3420) expired, and were not replaced. • The hedging on rates were not implemented on Dynamic due to the equity focused of the fund. • In line with the other funds, there were some changes in the Liquid Alt building block. 2 funds were added: Pictet Atlas Titan and Man GLG Event Driven, funded from the full sale of Winton and the reduction of other Alternative funds.	• The contribution from Hedging is negative by 2.8bps, while the macro strategy is detracting 6.2bps for April. The selection contribution is positive by 39.4bps. • Selection: strong contribution from Alternatives (+34bps), while European and US equities are contributing nicely too (+5bps each). Asia is the laggard, especially Japan which is detracting 5.3bps over the month. • Macro Strategy: Macro Strategy is negative by -6bps. Negative performance on the Macro Strategy is led by the long Russia vs emerging markets, the long Japanese equity and long Europe Value vs Europe. Overall the long equity exposure in US and Europe, together with the long cyclical currencies have supported the performance of this pillar. • Hedging: detracting 2.9bps, led by the credit hedge while the gold exposure is flat.

Disclaimer

The information provided in this document does not constitute an offer, advice, investment recommendation, or an analysis of investment opportunities by any Amundi Group company. Prior or expected future performance is no guarantee of actual future performance. Prior to each investment, a client should conduct his own risk analysis of the legal, tax, and accounting consequences and of whether his profile corresponds to the target market, without relying solely on information from this document. The value of an investment and income from it may rise and fall, and the return of the amount invested or any dividend payment is not guaranteed. With respect to dividend classes, the decision to pay or not to pay out a divided for any period shall be made by the Management Board, with a view to the fund's financial results. Income from foreign-currency investment instruments may fluctuate due to exchange rate fluctuations. Taxation always depends on a customer's personal situation and may be subject to change. Complete names of mutual funds, a detailed overview of performance, information about risks, including risks arising from a focus on private equity investments, and other information is published in the Czech (Amundi CR) or in the English language (Amundi AM) at www.amundi.cz in fund statutes, key information documents, or fund prospectuses. For more information, please contact infocr@amundi.com or www.amundi.cz. No Amundi Group company accepts direct or indirect liability that may arise due to the use of the information provided in this document. The said companies cannot be held in any way liable for any decision or any investment made on the basis of the information provided in this document. The information stated in this document may not be copied, reproduced, modified, translated, or disseminated to third parties without prior written consent, including among entities in any country or jurisdiction requiring registration for any Amundi Group companies or their products in that jurisdiction or in a jurisdiction in which it may be deemed illegal. This document has not been approved by a financial market regulator. This document is not intended for US persons and is not intended for acquaintance or use by any person, whether a qualified investor or otherwise, from any country or jurisdiction the laws or regulations of which would prohibit such disclosure or use.