Eurobank FMC-LUX

(LF) TOTAL RETURN FUND

03 17

Investment Objective

The Sub-Fund's objective is to achieve positive returns through the use of a flexible investment strategy that will rely on active asset allocation. The active asset allocation will result from the combination of a top down approach with a bottom up stock picking analysis.

In order to meet the investment objective of the Sub-Fund set out above, the Sub-Fund may invest without any geographical and economic constraint:
- By at least 10% and by no more than 85% of its total assets in equity securities and other equivalent securities
- By at least 10% and by no more than 85% of its total assets in debt instruments, cash and cash equivalents (deposits with credit institutions and money market instruments).ld

In addition, the Sub-Fund may also invest up to 30% of its net assets in Exchange Traded Funds (ETFs), qualifying as UCITS or respectively UCI, which may represent a sector or a market index as per the meaning of article 41 (1) indent (e) and article 46 of the 2002 Law and/or up to 10% of its net assets in ETFs on commodities respecting article 41(2) indent a) of the 2002 Law.

Finally, the Sub-Fund, in order to meet its investment objectives, may use on a regular basis listed financial derivative instruments for the purposes of hedging currency risk, interest rate risk, market risk and efficient portfolio management.

Investor Profile

The Sub-Fund has a high risk profile and is addressed to investors pursuing a long-term investment objective with the prospects of achieving returns from income and capital gains.

Fund Facts

Structure	UCITS IV Luxembourg
Total NAV Size	2.522.893,61 €
Risk Class	1 2 3 4 **5** 6 7
Benchmark	Hurdle 7%
Liquidity	Daily
Mngnt Co	Eurobank FMC-LUX
Investment Manager	Eurobank Asset Management MFMC
Investment Advisor	Prelium Investment Services
Custodian/Administrator	Eurobank Private Bank Luxembourg S.A.
Auditor	PricewaterhouseCoopers

Investment Commentary

The global reflation trade that was initiated at the end of last year after Trump's election continued throughout the first three months of the year. As a result, every major asset class including equities, bonds and precious metals posted solid gains for the quarter despite the fact that the upward momentum faded towards the end of the quarter as questions were raised on the ability of President Trump to implement his policy agenda. We should always keep in mind that big part of the last months' market rally is based on investors' expectations on corporate tax cuts, infrastructure spending and regulatory reform as stated by the President himself. In addition, there is increased optimism in the prospects of the global economy based on the positive momentum of economic data, and especially "soft data" such as sentiment indicators and surveys. The US economy seems to be on a solid growth path amid low unemployment, signs of wage pressure and inflation picking up as it was validated by the Fed's last meeting and its new interest rate path. Alongside, other major economies like Japan and Europe show signs of health by revising upwards growth and inflation forecasts, while China has managed to contain capital outflows. Finally, this market rally was also fueled by rebounding corporate earnings. Fourth quarter 2016 earnings reports showed that companies are growing both on sales and earnings level, a trend that is expected to continue in 2017 as well according to consensus forecasts.
In this context, US equities delivered solid gains as indicated by the performance of the SP500 index which was up by c.5,50% for the first quarter. Most sectors posted positive returns except for energy (oil was one of the worst performing commodities weighing on the whole sector) and telecommunication services. The best performing sector was the technology one as depicted by the performance of the Nasdaq 100 which posted quarterly gains of c.11,80%. This spectacular move was based on the fact that some of the industry's biggest names, including Apple and Facebook, climbed by more than 20%. As expected in an environment of increased growth prospects growth stocks outperformed value ones. In the same manner with the US market, performance was positive across most developed markets. European equities edged up backed by positive corporate earnings and macroeconomic data despite the general political uncertainty that prevails in Europe. As a result, the MSCI EMU index posted quarterly gains of c.6,80%. On the other hand, Japanese equities recorded a rather disappointing quarter since the broad market index NIKKEI225 ended in negative territory (c.-1,10%) by the end of the quarter as the rising yen weighs heavily on the export oriented market. Finally, emerging markets, as being more sensitive to improved global growth prospects, were up c11,20% for the quarter according to the performance of the MSCI EM index.
In general, bond markets performed pretty well against a backdrop of strengthening growth, rising inflation and marginally hawkish central banks as depicted by the Bloomberg Barclays Global Aggregate Index which gained c.1,75%. Within the fixed income universe, global credit, particularly high yield, outperformed government bonds and the Bloomberg Barclays Global High Yield Index posted solid quarterly gains of c.3,20%. Among government bonds, performance was mixed. On the one hand, US Treasuries rose despite a slightly more hawkish Fed than expected. Market participants seem to challenge the last dot plot and expect that the Fed will fall short of one rate hike compared to the projected interest rate path. On the other hand, European sovereigns came under pressure amid political concerns and markets starting to adjust to the prospect of monetary stimulus withdrawal.
Looking ahead, there may be plenty of evidence, like corporate earnings and macroeconomic data, to support this last leg of the 6 year old market rally but we can still identify one major downside risk which we also highlighted in our last note: markets seem to discount an almost perfect scenario under which the Trump administration manages to fully implement his policy agenda but without the side effects associated with his trade and anti-globalization plans. But in March one could say that the new administration faced its first harsh political reality of governing: a failure to pass the Obamacare repeal. Market reaction was subdued since everyone's attention is concentrated on the much anticipated tax reform plan. As time passes and no tangible details are provided, markets will eventually become nervous. Given that valuations are stretched, no major pullback has been recorded for a long time and geopolitical tensions are rising then any additional failure to deliver by the new administration might lead to a major sell off in risky assets.

Portfolio Recap

During the first quarter, the fund maintained its defensive strategy that was initiated at the end of last year despite the fact that global economic growth is in good shape and corporate earnings are gaining momentum. Risky assets have not witnessed any pullback for quite some time thanks to the "reflation'' investment theme triggered by the Trump election and hence resulting in a overheated market that might take investors by surprise on any negative news. Within this context, we have maintained the fund's equity exposure at c. 30.50% which was fully hedged in order to neutralize any systemic risk and thus relying solely on alpha generation as a source of potential return. Regarding, the fund's geographical breakdown this was evenly split between Europe and US. On a sector level, the fund was focused on energy, healthcare, technology and big cap consumer discretionary which offer better growth prospects in an environment of rising yields/inflation expectations, improved consumer sentiment and an accelerating worldwide economic activity. It is also worth noting that we have initiated a new position in gold miners indicating our positive view on gold.
The fund's overall bond exposure experienced the biggest changes as we increased bond holdings to c. 49.50%. Duration was also increased but not to a point that any interest rate hikes would affect materially the fund's performance. New positions were initiated in European peripheral sovereign bonds (Portuguese and Greek), in short to medium term US treasuries utilizing the yield pickup due to the FED's meeting and British pound denominated bonds through corporate credit and inflation linked instruments. Finally, the fund maintained it exposure to European floating rate notes and inflation protected notes through ETFs.
With respect to the fund's currency exposure, US dollar exposure is fully hedged while the British pound exposure is left unhedged as the "Brexit" effect seems to be fully priced in. By the end of the quarter, the fund's cash holdings were significantly decreased to c. 20% of the NAV but this is not indicative of its overall market exposure. The fund has adopted a very defensive strategy on a tactical and strategic basis as indicated by the fact that all risk related positions are hedged and the negative correlations between some of its holdings. As said before, global economic growth is in good shape and corporate earnings are gaining momentum but markets seem to price in an almost "perfect" scenario with respect to Trump's policies and global economic prospects. But, any shortcomings combined with the fact that markets have not recorded any in recent months might lead to a sharp selloff of risky assets. In the case of such an adverse scenario, the fund will be able to withstand the challenges of such environment.

	Prelium A	Prelium B
Currency	EUR	EUR
ISIN code	LU0517761358	LU0517761515
Bloomberg ticker	PRELFTR LX Equity	PRELFTB LX Equity
MorningStar Rating	3-Star	3-Star
Inception date	5/7/2010	19/11/2010
Assets (class currency)	2.186.500,28	336.393,33
NAV	10,5626	11,2131
Min NAV	10,3422	10,8704
Max NAV	10,7715	11,4009
Entry fee	0%	0%
Redemption fee	0%	0%
Conversion fee	Difference in Entry fees	
Redemption scheme	T+3	T+3

More information

Eurobank Asset Management M.F.M.C.

www.eurobankam.gr

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Risk Statistics

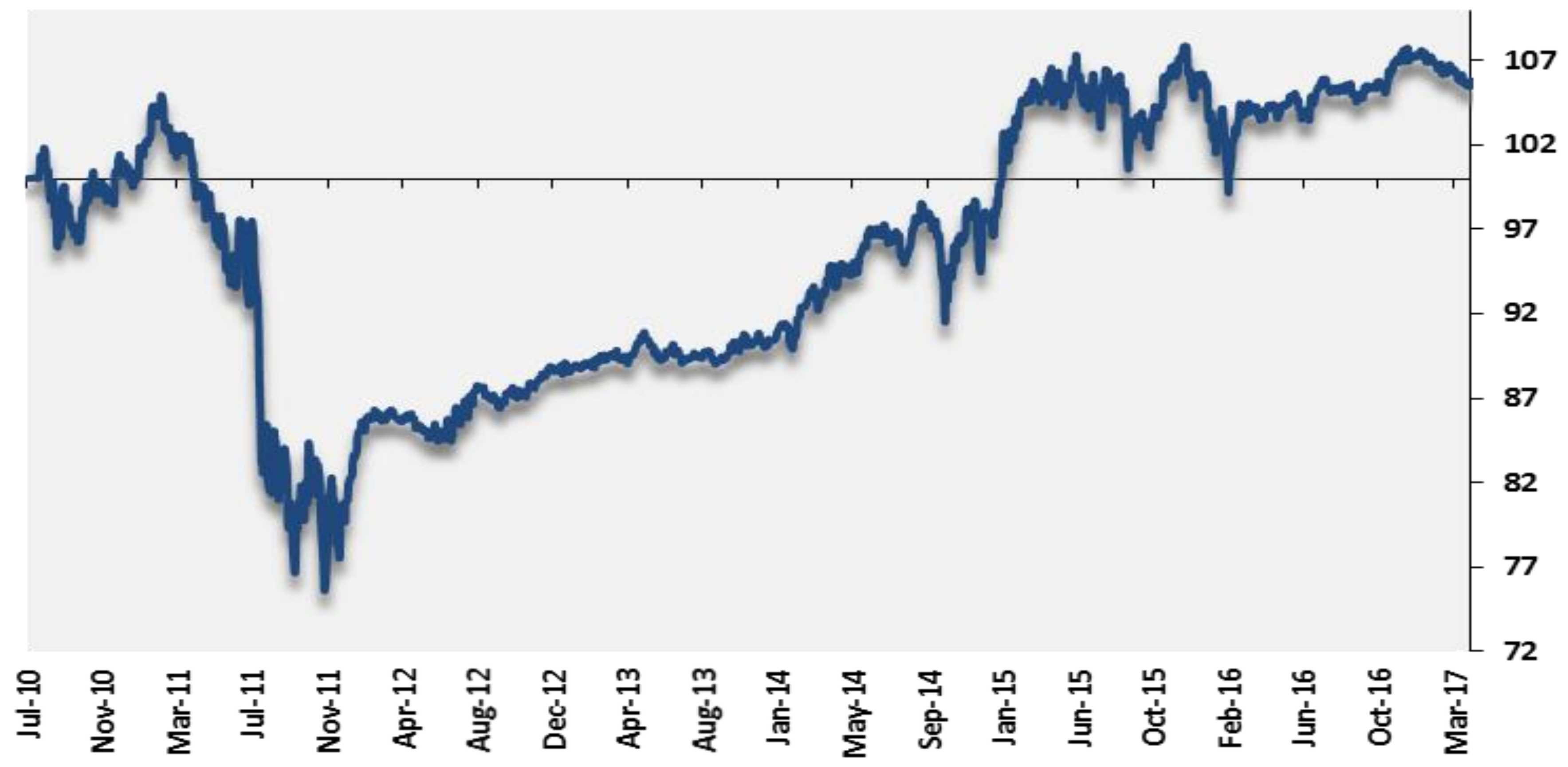
Standard Deviation	3,50%
VaR	1,33%
Yield Maturity	1,50%
Duration (years)	2,24

Standard Deviation calculations have been performed using a data sample of the last 12 month. The **VaR** analysis is based on the Historical Simulation method using the 99th percentile as confidence interval and historical data of the last 12 months. The VaR level refers to the one month VaR.

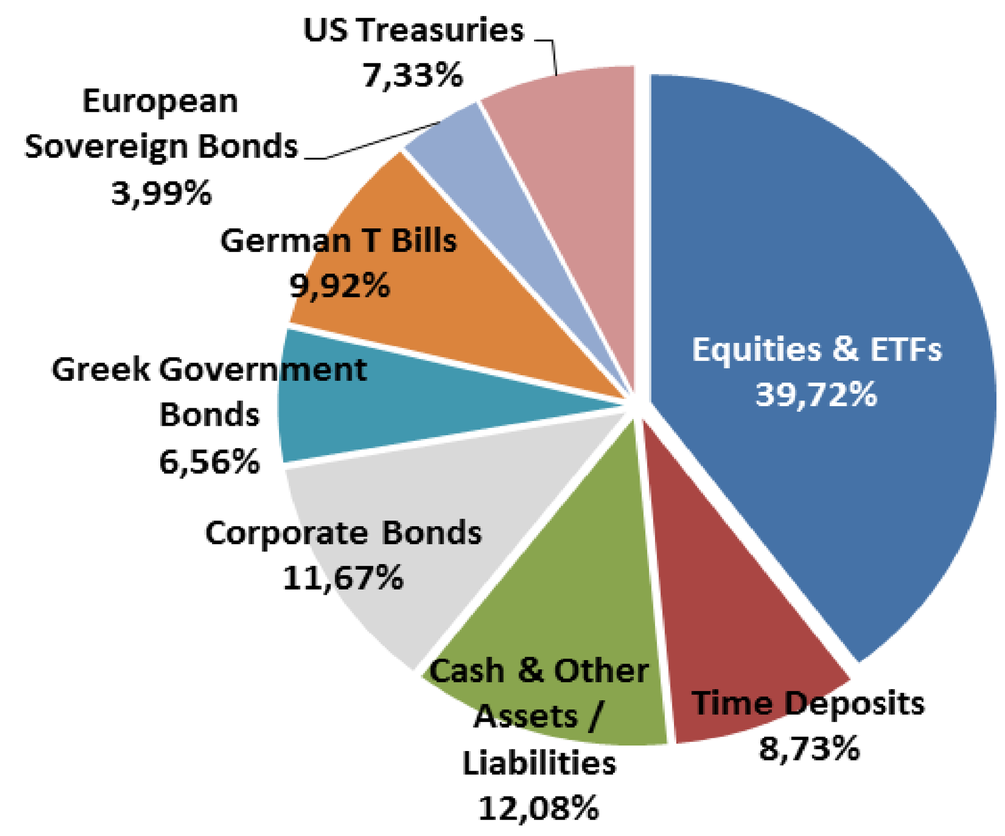
Fund Returns

Cumulative Returns per share class

Share Classes	YTD	1 y	3 y	5 y
Prelium A	-1,46%	1,66%	12,21%	23,33%
Prelium B	-1,22%	2,69%	15,63%	29,43%



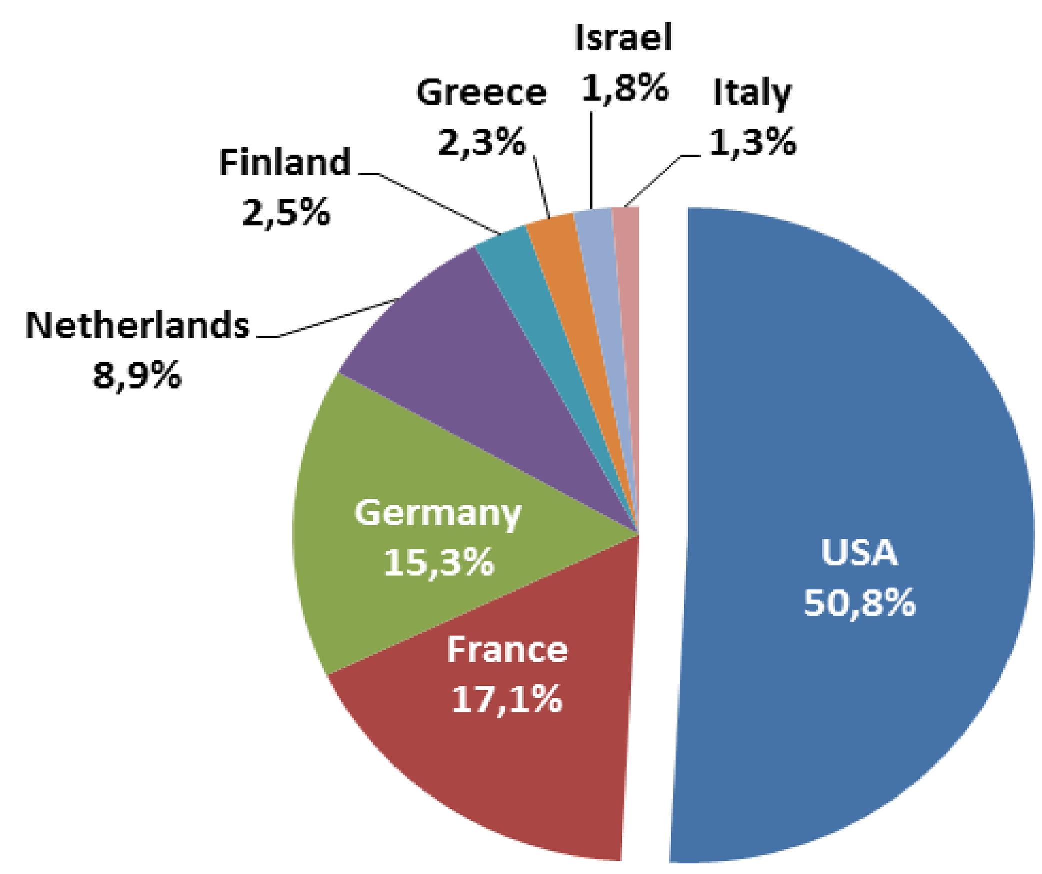
Portfolio Asset Class Breakdown



Major Holdings(%)

GERMAN T BILL 26/04/2017	9,91%
TD LUX 18/10-18/10 1.48% ING Bank N.V.	5,56%
T Dep 31/03-03/04 -.5% ING Bank N.V.	3,17%
AMUNDI ETF FLOAT RATE USD	2,60%
OBRIGACOES DO TESOURO	2,01%
OBRIGACOES DO TESOURO, 17/10/2022	1,98%
ISHARES EURO INFL	1,92%
ISHARES CORE GBP CORP	1,88%
US TREASURY 30/11/2020	1,87%
US TREASURY 31/01/2022 1.875%	1,85%

Geografical Equities Breakdown



Equities Sector Breakdown

Energy Sources	7,85%
Internet Media	6,92%
Telecommunications	5,84%
Chemicals	4,53%
Health & Personal Care	4,43%
Banks	4,35%
Computer Hardware	3,52%
Pharmaceuticals	3,32%
Financial Services	3,14%
Food & Household Products	3,10%
Leisure & Tourism	3,09%
Metals & Mining	2,85%
Appliances & Households	2,76%
Construction & Engineering	2,63%
Discount Stores	2,23%
Merchandising	2,12%
Technology & Consulting Services	2,04%
Food Distibution & Convenience Stores	2,03%
Healthcare Facilities	2,02%
Non-Alcoholic Beverages	1,97%
Other	29,25%

Contact

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