Eurobank FMC-LUX

(LF) TOTAL RETURN FUND

03 18

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.

Investment Commentary

After a prolonged period of heightened investment sentiment, this is the first quarter that investors were unnerved with risky assets resulting probably in the disruption of the 9-year-old bull market. A series of events, including concerns about the path of US interest rates and worries over an eminent trade war, have led investors into a risk off mode: global equity markets declined giving up all gains that were recorded during the first weeks of the year, global yields surged and volatility spiked across all asset classes. Especially the trade tariffs imposed by Trump shook markets and are considered as a potential major disruptor if they escalate into full scale trade war. A lot of distinguished members of the academic, financial and corporate community have warned and even tried to deter Trump from engaging into such policies. They have all argued that these policies will have the adverse results to the ones that Trump is aiming at: he has promised to protect jobs within the US but eventually net job creation will be negative. The steel tariffs imposed by the Bush administration in 2002 are an illustrative example of the negative effects. In any case, trade tariffs restrict economic activity and can derail global growth which according to the latest data seems to be at an inflection point. The global economy has been experiencing a steady expansion but there are some initial signs that the pace of economic growth may be faltering. Macro readings remain on the positive side but seem to have peaked. For example, US business confidence reached an unexpected, multi-decade high in March but industrial activity (ISM Manufacturing Index), while still indicating expansion, slowed. In the eurozone, a confirmed 0.6% quarter on quarter GDP growth rate for Q4 2017 has not managed to change forward looking expectations as indicated by the PMI Index which hit a 14-month low in March albeit the reading of 53.3 still implies expansion.
Within this context, global equity markets finished in modestly negative territory during the 1st quarter. Performances could be even worse given the negative investment sentiment but robust corporate earnings provided a solid fundamental backdrop. Specifically, the SP500 recorded its first quarterly loss since 2015 and its YTD performance stands at c.-1.22%. The only sectors that remained in positive territory were technology and consumer discretionary. It is worth noting that the technology sector managed to overcome the mounting regulatory concerns around large technology companies after the personal data protection incident with Facebook. As a result, the NASDAQ100 was the only US major index to record a gain of 2.88% in the quarter. With respect to the rest of the developed markets their performance was even poorer as many of their economies are perceived as mush more vulnerable to a trade war. European and Japanese equities really struggled resulting in quarterly losses of c.3,02% and c.5,75% for the MSCI EMU Index and NIKKEI225 respectively. Finally, the best performing equity segment were emerging markets for another quarter continuing their winning strike from the previous year. Their positive correlation to the global economic recovery theme, the weakening dollar and rising commodity prices have provided a supportive investment backdrop as depicted by the performance of the MSCI EM Index which posted gains of c.1,07%
Regarding the fixed income markets, positive economic data and moderate global inflation remain supportive for most segments of the bond market counterbalancing to a great extend the surge in US treasury yields. As a result, yields and spreads remain at the lower end of the historical range enabling the Bloomberg Barclays Global Aggregate index to record quarterly gains of c.1,36%. Within the fixed income universe, corporate bonds were among the worst performers and underperformed not only sovereign bonds but also high yielding ones. The Bloomberg Barclays US Corporate Bond index posted quarterly losses of c.2,31% compared to marginal losses of c.0.36% for the Bloomberg Barclays Global High Yield index. Finally, US treasuries prices extended their slide to a four year low reflecting higher inflation expectations, rising deficits and increased supply/issuance.
Looking ahead, we expect that the trade/tariff theme will continue to dominate markets until there is a clear view on how it will evolve. Up until now, the whole dispute is kept at an "entry level" mode meaning that all announcements and decisions that have been made by the involved parties are limited and targeted to a very small segment of the business activity. It seems that nobody wants it to escalate to a full-scale trade war and hence compromises may be reached. Otherwise, the economic, business and investment framework will have to be totally redefined and all projections to be revised downwards. Assuming that the trade/tariff theme is resolved, risks remain skewed on the downside including a maturing business cycle, lower productivity and profit margins, stretched valuations and higher geopolitical risks.

Fund Facts

Structure	UCITS IV Luxembourg
Total NAV Size	3.409.006,51 €
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

Portfolio Recap

The fund increased its overall market exposure during the first quarter of 2018 utilizing the significant drawdown that was recorded in markets during this period but not to an extend that it would suffer hard-to-recover losses in the case of a severe market turmoil. Therefore, great emphasis was given to cross asset correlations and the portion of assets with safe haven status within the fund's NAV. Within this context, the fund's equity exposure was increased to c.32,70% while hedges were limited to c.20% of the equity exposure and were exclusively targeted to its US related holdings. Regarding the fund's geographical breakdown, we have clearly adopted an overweight stance on European equities (c.21,70%) by allocating twice as much compared to their US peers (c.11%): European companies continue to offer better valuations and growth prospects. Finally, the fund maintained a balanced exposure/distribution with respect to sectors and market factors.
The fund's overall bond exposure was also increased to c.48.8% during the first quarter. Nevertheless, duration and credit risk (on a look through basis) remained almost unchanged since the incremental 5% was exclusively allocated in short and medium dated US Treasuries and dollar denominated investment grade corporate credit. In this way, the fund has increased significantly its yield producing assets but also gained exposure to securities that will increase its ability to weather a serious market turmoil. No other significant changes were made to the rest of the bond holdings as the fund maintained its positions in European peripheral sovereign bonds, emerging market debt and high yielding bonds, as the improving global macroeconomic conditions will be supportive for those bond categories.
With respect to the fund's currency exposure, both US dollar denominated and British pound holdings were unhedged. As far as the US dollar is concerned, hedging costs have become cost inefficient compared either to the risks associated with a further devaluation or its safe haven status taking into consideration the increase of the fund's overall market exposure. On the other hand, we deem that the British pound has fully priced any downside risks associated with the British economy. As expected by the end of the quarter, the fund's cash holdings were significantly decreased to c.18,5% of the NAV due to the repositioning that took place during the last market drawdown. This may indicate a much more aggressive stance compared to the previous quarter but still defensive enough to cope with any headwinds that might rise in the near future. Currently, the biggest risk faced by markets is the "Global Trade War" theme. We are experiencing the first stages of this theme and depending on how it evolves we will adopt the respective strategy with no hesitation.

	Prelium A	Prelium B
Currency	EUR	EUR
ISIN code	LU0517761358	LU0517761515
Bloomberg ticker	PRELFTR LX Equity	PRELFTB LX Equity
MorningStar Rating	3-Star	4-Star
Inception date	5/7/2010	19/11/2010
Assets (class currency)	2.357.017,79	1.051.988,72
NAV	10,5857	11,3508
Min NAV	10,4893	11,1825
Max NAV	10,7878	11,5420
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

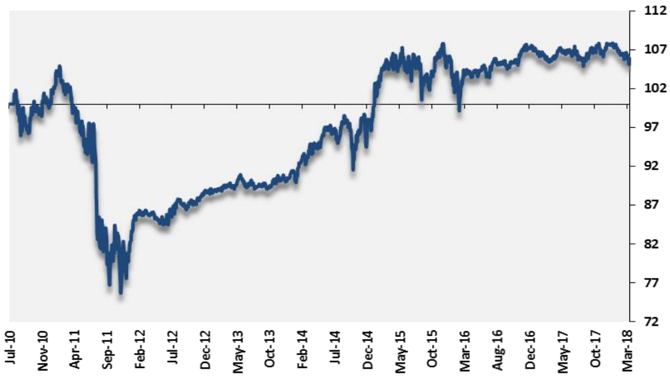
Standard Deviation	3,89%
VaR	2,98%
Yield Maturity	1,90%
Duration (years)	2,39

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.

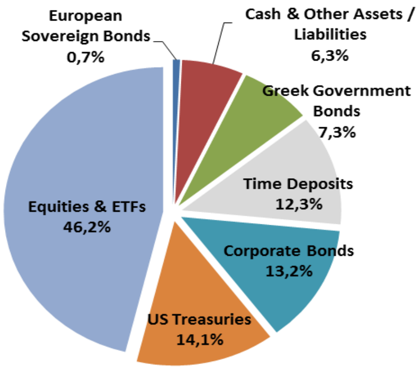
Fund Returns

Cumulative Returns per share class

Share Classes	YTD	1 y	3 y	5 y
Prelium A	-1,73%	0,06%	0,99%	18,09%
Prelium B	-1,49%	1,08%	4,29%	24,10%



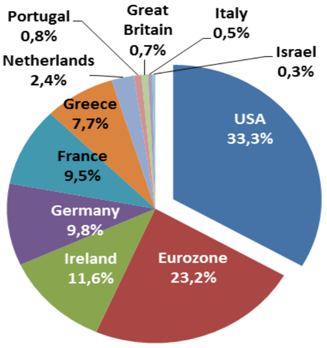
Portfolio Asset Class Breakdown



Major Holdings(%)

T Dep 27/03-03/04 .7% PIRAEUS BANK SA	5,88%
US TREASURY 31/01/2022 1.875%	4,86%
T 1.125% 28/02/21	4,36%
T Dep 27/03-03/04 -.6% LANDESBANK BADEN	3,52%
ISHARES EURO INFL	3,47%
T Dep 29/03-03/04 .7% PIRAEUS BANK SA	2,93%
GGB 30/01/2028	2,86%
US TREASURY 30/11/2020	2,71%
CASH IN USD (EUROBANK GREECE)	2,45%
AAPL 06/05/2020	2,33%

Geografical Equities Breakdown



Contact

Eurobank Asset Management M.F.M.C.
10 Stadiou Str, Athens, 10564, Tel: +30 210 33 52 800, Fax: +30 210 33 52 890
Email: am@eurobank.gr
Website: www.eurobankam.gr www.eurobank.gr
Or call Europhone Banking +30 210 95 55 000 or +30 801 111 1144