

## 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

<b>Structure</b>	UCITS V Luxembourg
<b>Total NAV Size</b>	3.428.039,15 €
<b>Risk Class</b>	<span style="border: 1px solid black; padding: 2px;">1</span> <span style="border: 1px solid black; padding: 2px;">2</span> <span style="border: 1px solid black; padding: 2px;">3</span> <span style="border: 1px solid black; padding: 2px;">4</span> <span style="border: 1px solid black; padding: 2px;">5</span> <span style="border: 1px solid black; padding: 2px;">6</span> <span style="border: 1px solid black; padding: 2px;">7</span>
<b>Benchmark</b>	Hurdle 7%
<b>Liquidity</b>	Daily
<b>Mngnt Co</b>	Eurobank FMC-LUX
<b>Investment Manager</b>	Eurobank Asset Management MFMC
<b>Investment Advisor</b>	Prelim Investment Services
<b>Custodian/Administrator</b>	Eurobank Private Bank Luxembourg S.A.
<b>Auditor</b>	PricewaterhouseCoopers

## Investment Commentary

The extreme negative investment sentiment that prevailed during the 1st quarter of the year was reversed at the second one. As a result, many risk assets managed to rebound even though the underlying reasons for their initial drawdown remained in the 2nd quarter as well. In fact, this reversal in sentiment took place against a backdrop of downward revisions to earnings expectations, tightening global liquidity conditions, political uncertainty and trade war concerns. With respect to global growth for 2018, the world economy has been experiencing a steady expansion and forecasts remain robust at c.3,4%. But a number of macro readings during Q1 and Q2 suggest that there is a softening of growth momentum as the global business cycle is maturing. These readings also indicate there is a divergence in growth rates across regions, suggesting that the "global synchronization" theme is probably coming to an end. For example, in the US growth seems to be in a healthy path supported by strong consumer confidence and retail sales data, but the growth outlook for Europe has slipped after a GDP reading of 0,4% for Q1 2018 from 0,7% in Q4 2017. On the monetary front, strong US economic data, especially in the labor market (3,8% unemployment rate combined with a wage growth of 2,7% in May) led the FED to increase interest rates by 0,25% in June and signal two further rates until the end of the year. The ECB announced that quantitative easing will end in December 2018, while adopting a very dovish language, as it pledged to keep policy rates unchanged at least through the summer of 2019. On the other hand, the Chinese Central Bank lowered the reserve-requirement ratio by 100 basis points in an effort to boost growth. In essence, two out of the three major Central Banks are in a converging path with respect to their monetary policies. Political risk also increased, especially in Europe, as the newly elected Italian government has adopted a euro-sceptic stance on many affairs ranging from refugee policies to fiscal discipline. Finally, trade tensions escalated as the US has gone forward with its first set of tariffs and is planning the next phase, while its targeted trading partners have not backed down and have responded with retaliatory tariffs on US goods. "Global protectionism" is not subsiding and markets continue to defy its implications.

Within this context, global equity markets posted gains during Q2 of the year with US markets leading the way after a very robust earnings season. Earnings growth for the S&P500 in Q1 exceeded 20% and 77% of the companies reported actual earnings that exceeded estimates. As a result, the S&P500 recorded quarterly gains of c.3,4% resulting in a YTD performance of c.2,65%. Seven out of the eleven sectors posted positive performances during the quarter. The best performing sector was energy fueled by recovering oil prices. It is worth noting that information technology continued its multiyear outperformance as high-profile names, including Facebook, Microsoft, Apple, Amazon Netflix traded at their historic highs. As a result, the NASDAQ100 advanced on a quarterly basis by 7,27% resulting in a YTD performance of c.10,65%. European equities ended the quarter in positive territory as well despite rising trade tensions, political instability and signs of normalizing economic conditions. The MSCI EMU Index posted quarterly gains of c.3% marginally in positive territory since the start of the year (c.0,20%). In the same manner, Japanese equities advanced by c.5% erasing all losses since 01/01. (NIKKEI225's YTD performance is c.-0,14%). On the other hand, emerging markets suffered their first quarterly loss since 2016. Their positive correlation to the global economic recovery theme, the stronger US dollar, falling commodity prices (ex oil) combined with trade tensions have weighed heavily on these markets. As a result, they erased all of their Q1 gains by recording substantial losses during Q2. The MSCI EM Index retreated by c.7% during the period resulting in a YTD performance of c.-6,10%.

Regarding fixed income markets, accelerating US growth, soft economic activity elsewhere and rising inflation expectations have generated negative results for most bond segments during Q2. The Bloomberg Barclays Global Aggregate index posted losses of c.-2,8% resulting in a negative performance of c.-1,45% for the year. Corporate bonds were among the worst performers extending their losing strike from Q1 as depicted by the YTD performance of c.-3,27% for the Bloomberg Barclays US Corporate Bond index. High yielding bonds followed by registering quarterly losses of -2,20% according to the Bloomberg Barclays Global High Yield index. Finally, US treasuries prices extended their slide with lower maturities suffering the most as US growth and inflation expectations continued to build, before risk aversion and "safe heaven" status led to a significant retracement.

Looking ahead, the most significant challenge facing markets is how the "global protectionism" theme will evolve. Trade tariffs is one form of "global protectionism" but certainly there are others like anti-trust laws. Even in the case that a trade war is avoided, we expect that these other forms will not subside easily especially if we witness a deceleration of global growth. If economic expansion stalls, then countries/economic regions will be keen to increase their share at the expense of the others. Nevertheless, even if all of the above is avoided, risks remain skewed on the downside including a maturing business cycle, lower productivity and profit margins, stretched valuations and higher geopolitical risks.

## Portfolio Recap

Against a backdrop of downward revisions to global growth and earnings expectations, tightening global liquidity conditions, political uncertainty and trade war concerns, the fund decreased significantly its overall market exposure during Q2 2018 by increasing the portion of assets with safe haven status within the fund's NAV and increasing hedges against risk assets. Within this context, the fund's equity exposure decreased to c.31% while hedges were increased to c.60% of the equity exposure. Regarding the fund's geographical breakdown, we have adopted an overweight stance on European equities (c.19,50%) by allocating almost twice as much compared to their US peers (c.11,50%): European companies continue to offer better valuations. 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.60,5% during Q2. Nevertheless, duration and credit risk (on a look through basis) remained almost unchanged since the additional positioning was exclusively allocated in Belgian T-bills, short and medium dated US Treasuries and dollar denominated investment grade corporate credit while decreasing exposure to European peripheral bonds. Hence, the fund has increased significantly its yield producing assets but also gained exposure to securities that will increase the ability to weather a serious market turmoil. No other significant changes were made to the rest of the bond holdings. With respect to the fund's currency exposure, US dollar denominated holdings account for c.50% of the fund's NAV and thus we have initiated hedges that cover c.70% of this holdings in order to contain currency volatility. As expected by the end of the quarter, the fund's cash holdings were significantly decreased to c. 8,5% of the NAV due to the repositioning in the bond markets that took place during Q2. Despite the significant drop in cash holdings, the fund has adopted a much more defensive strategy compared to Q1 which is capable of both producing positive returns and withstanding a market turmoil. It will be maintained until we have a clear view on how the "global protectionism" theme will evolve.

	Prelim A	Prelim B
<b>Currency</b>	EUR	EUR
<b>ISIN code</b>	LU0517761358	LU0517761515
<b>Bloomberg ticker</b>	PRELFTR LX Equity	PRELFTB LX Equity
<b>MorningStar Rating</b>	3-Star	3-Star
<b>Inception date</b>	5/7/2010	19/11/2010
<b>Assets ( class currency)</b>	2.484.472,30	943.566,85
<b>NAV</b>	10,8170	11,6285
<b>Min NAV</b>	10,4893	11,1825
<b>Max NAV</b>	10,8743	11,6868
<b>Entry fee</b>	0%	0%
<b>Redemption fee</b>	0%	0%
<b>Conversion fee</b>	Difference in Entry fees	
<b>Redemption scheme</b>	T+3	T+3

**More information**



**Asset Management M.F.M.C.**

[www.eurobankam.gr](http://www.eurobankam.gr)

**Risk Statistics**

Standard Deviation	3,96%
VaR	1,35%
Yield Maturity	1,93%
Duration (years)	2,20

Standard Deviation calculations have been performed using a data sample of the last 12 months. 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**

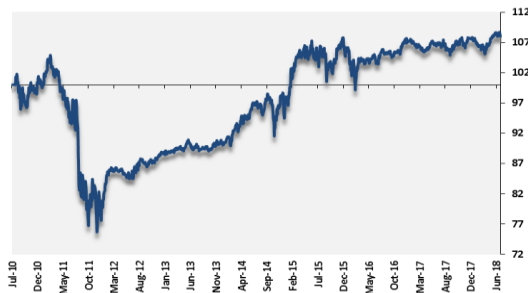
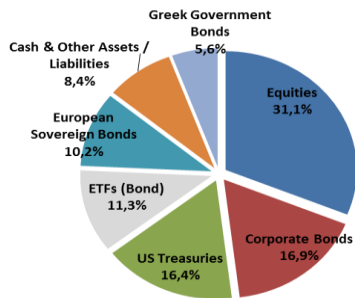
**Cumulative Returns per share class**

Share Classes	YTD	1 y	3 y	5 y
Prelim A	0,41%	1,51%	3,51%	20,53%
Prelim B	0,92%	2,53%	6,72%	26,69%

**Annual Returns per share class**

Share Classes	2017	2016	2015	2014	2013
Prelim A	+0,49%	+1,17%	+8,50%	+7,81%	+2,03%
Prelim B	+1,50%	+2,21%	+9,80%	+8,62%	+3,05%

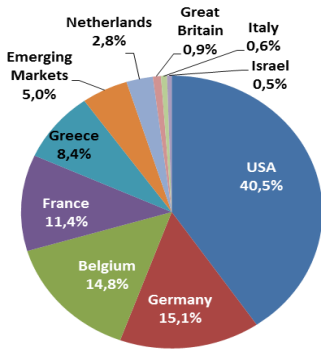
**Portfolio Asset Class Breakdown**



**Major Holdings(%)**

BGTB 12/07/18	10,21%
US TREASURY 31/01/2022 1.875%	5,70%
T 1.125% 28/02/21	4,57%
US TREASURY 30/11/2020	3,33%
VZ 01/11/2021	3,10%
AAPL 06/05/2020	3,09%
ISHARES EURO INFL	2,30%
GGB 30/01/2028	2,24%
ISHARES USD SHORT DUR HY CORP	2,11%
BAC 2.625 19/4/21	2,09%

**Geographical Equities Breakdown**



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