Eurobank FMC-LUX

(LF) TOTAL RETURN FUND

09 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

The most notable trend of Q3 was the dispersion of returns between asset and sub-asset classes. Basically, this reflects a mix of data, factors and catalysts that formed a complex economic and investment backdrop which, in turn, distinctly favored some investment categories and segments of the capital markets but also weighed heavily on some others, regardless of their risk profile. Specifically, the global growth synchronization theme that everyone hoped for, at the beginning of this year, has faded. Data over Q3 continued to suggest that US growth continues to accelerate as consumer confidence hit its highest level since 2000 and unemployment metrics reached lows not seen since the late 60's. The US economy looks in such a good shape that the FED not only maintained its interest rate path but also adopted a hawkish tone in its statements. On the other hand, other major economies showed signs of weakness. Growth in the rest of the world has started to slow, as economic activity is hurt by intensified trade tensions and political uncertainty. For example, the OECD leading economic indicators for Europe and Japan have dipped down. Especially Europe seems to be in the most difficult position: it has not managed to come up with a final solution for 'BREXIT yet and it is facing one more problem: the newly elected Italian government looks determined to confront the Eurozone on fiscal discipline rules by submitting a fiscal budget that generates a higher deficit than originally anticipated. As a result, Italian sovereign spreads have increased sharply reflecting market fears that a new EZ crisis, worse than the previous one, is underway. In a sense, we are moving from a global growth synchronization theme to a global growth divergence.
Within this context, global equity markets posted gains during Q3, primarily due to US equity market strength. Strong macro data and robust corporate earnings propelled US stocks, lifting US major equity indexes to new all-time highs. The rally was broad based and as result the S&P500 posted impressive quarterly gains of c.8% resulting in a YTD performance of c.10,50%. All 10 major sectors were positive with Healthcare (+14.5%) and Industrials (+10%) having the strongest performance. It is worth noting that IT extended its multiyear outperformance for another quarter. As a result, the NASDAQ100 posted a 8,50% return in Q3, bringing its YTD return to c.+20%. With respect to the rest of the equity markets, they also posted gains, but clearly underperformed relative to their US peers. Eurozone equities struggled and posted a marginal gain of 0,50% in the third quarter. As a result, the MSCI EMU index ended Q3 with a marginally positive YTD performance of c.0,70%. Surprisingly, Japanese equities managed to overcome trade fears and advanced by c.7% resulting in a YTD performance of 7,70% for the NIKKEI225. On the other hand, emerging markets continued to struggle for another quarter. Their positive correlation to the global economic recovery theme, the strong US dollar and trade tensions leave no space for optimism. As result, the MSCI EM Index retreated by c.1,50% during the quarter resulting in a disappointing YTD performance of c.-7,50%.
Regarding fixed income markets, despite accelerating US growth, soft economic activity elsewhere and rising US interest rates, mixed results were recorded during Q3. The Bloomberg Barclays Global Aggregate Index posted quarterly losses of c.-0,90% resulting in a negative performance of c.-2,35% for the year. But corporate credit and high yield bonds which were among the worst performers of the second quarter have managed to recover slightly during the Q3. Corporate bonds trimmed by c.1% their yearly losses resulting in a c.-2,25% YTD performance for the Bloomberg Barclays US Corporate Bond Index. Likewise, high yielding bonds recovered by registering quarterly gains of 2,20% according to the Bloomberg Barclays Global High Yield Index and thus erasing almost all this year's losses. Finally, US Treasuries prices extended their slide with shorter maturities suffering the most and resulting in an even flatter yield curve as the FED reaffirmed its monetary policy.
Looking ahead, the most obvious risk to global markets is the potential for a further escalation of trade tensions. Chances that the global economy is in late cycle are increasing, at an alarming level, as indicated by the fact that companies are gradually revising downwards their earnings guidance. If this economic cycle is to be extended, there must be a quick resolution to the dispute between China and the US. Otherwise, we may experience a fast deacceleration in global growth which may lead to a sharp repricing to the downside of all assets.

Portfolio Recap

The fund increased its overall market exposure during Q3 of 2018 utilizing the significant drawdown that was recorded in specific markets and asset classes 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 remained constant at c.30,50% of the fund's NAV, but most hedges were eliminated and in particular those associated with European equity markets. Regarding the fund's geographical breakdown, we have maintained its overweight stance on European equities (c.20,30%) by allocating almost twice as much compared to their US peers (c.11,10%): after the recent drop in European markets due to increased geopolitical risks, European equity valuations have reached favorable levels that can generate in the medium term both alpha and beta driven returns. Finally, the fund maintained a balanced exposure/distribution with respect to sectors and market factors.
The fund's overall bond exposure was also kept constant to c.60,5% during Q3. Nevertheless, duration and credit risk increased on a look through basis as the fund's holdings of bonds/securities immune to interest rate and inflation risk were liquidated in order to utilize the new US interest rate environment. Thus, the incremental cash was reallocated to short and medium dated US Treasuries, dollar denominated investment grade corporate credit and dollar denominated high yield bonds. USTs have become the fund's second biggest position (c.19,25%) as a sub-asset class after European equities and have increased the fund's ability to weather a severe market turmoil. 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 Q3, while the fund's cash holdings remained constant at c. 8,5% of the NAV, a more aggressive stance compared to the previous quarter was adopted, due to reallocation within asset classes 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". We are experiencing the first stages of this theme and depending on how it evolves we will adopt the respective strategy with no hesitation.

Fund Facts

Structure	UCITS V Luxembourg
Total NAV Size	3.334.424,78 €
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

	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)	2.390.619,59	943.805,19
NAV	10,8197	11,6609
Min NAV	10,5112	11,2699
Max NAV	10,8794	11,7021
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

CASH FUNDS | BOND | ABSOLUTE RETURN | **BALANCED** | EQUITY | SPECIAL PURPOSE | FUND OF FUNDS

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Risk Statistics

Standard Deviation	3,58%
VaR	2,46%
Yield Maturity	2,27%
Duration (years)	2,26

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.

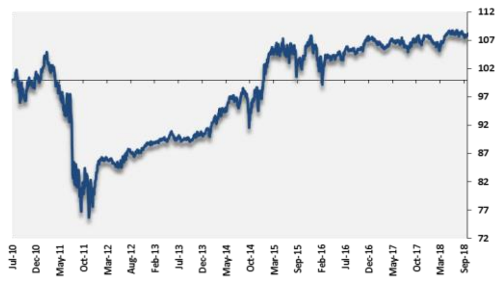
Fund Returns

Cumulative Returns per share class

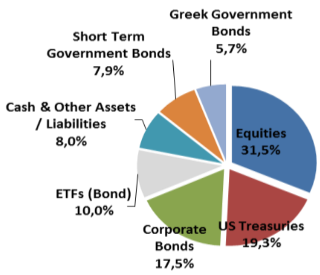
Share Classes	YTD	1 y	3 y	5 y
Prelium A	0,44%	1,31%	6,11%	21,11%
Prelium B	1,20%	2,33%	9,14%	27,30%

Annual Returns per share class

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



Portfolio Asset Class Breakdown



Major Holdings(%)

US TREASURY 31/01/2022 1.875%	5,87%
DTB 31/10/18	5,25%
T 1.125% 28/02/21	4,72%
ISHARES JPM USD EM BND EUR - H	4,22%
US TREASURY 30/11/2020	3,44%
VZ 01/11/2021	3,23%
AAPL 06/05/2020	3,20%
ISHARES JPM USD EM BND USD D	2,87%
GTB 0 1/2/19	2,69%
US TREASURY 31/08/23 2.75%	2,31%

Geografical Equities Breakdown

United States	34,30%
Germany	26,64%
France	26,61%
Netherlands	7,96%
Great Britain	1,97%
Italy	1,53%
Israel	1,00%

Sector Allocation

Pharmaceuticals	10,50%
Software	8,27%
Cosmetics/Personal Care	7,20%
Computers	6,61%
Banks	5,64%
Oil & Gas	5,54%
Apparel	4,41%
Insurance	3,94%
Internet Media	3,82%
Auto Manufacturers	3,67%
Electronic Components & Instruments	3,51%
Beverages	3,47%
Engineering & Construction	3,21%
Iron & Steel	3,01%
Aerospace/Defense	2,89%
Retail	2,87%
Food	2,40%
Health Care	2,32%
Chemicals	2,30%
Household Products/Wares	1,83%
Other	12,59%

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