Eurobank FMC-LUX

(LF) TOTAL RETURN FUND

12 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.

Fund Facts

Structure	UCITS V Luxembourg
Total NAV Size	2.891.108,83 €
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)	2.257.161,52	633.947,31
NAV	10,3267	11,1586
Min NAV	10,2710	11,0962
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

Investment Commentary

The last quarter of 2018 delivered some of the worst performances for risky assets since this bull market was initiated nine years ago. As the year drew to a close, investors were faced with a wide array of negative catalysts that eliminated any appetite for risk on their behalf. First and foremost, their expectations for the prospects of the global economy reached the lowest level since the last financial crisis: poor incoming macroeconomic data from major economic zones combined with a bleak outlook for a resolution of the trade dispute between the US and China left no room for optimism. Japan, China and the Eurozone continued to show signs of economic weakness with some indicators moving closer to contraction levels At the same time, market participants started to question the US economy's ability to sustain its growth rates and thus continue to decouple from the rest of the world, especially after the December factory data that revealed a weakening manufacturing picture (four district bank factory surveys dropped in December including the one by the Federal Reserve Bank of Richmond). As expected, trade tensions already appear to be taking a toll on economic activity and this was validated on a company level too. Many high-profile companies (i.e. Apple) revised downwards their earnings estimates due to weaker demand intensifying even more global growth concerns. As a result, investors pinned their hopes for a reversal in market sentiment on a major revision in central bank policies. Throughout the year, elevated US interest rates and tight monetary conditions have been cited as a major headwind for risky assets and investors were hoping for a much more dovish stance especially on behalf of the FED. Actually, both the ECB and FED tried to adopt at their December meetings as a dovish stance as possible while maintaining their basic framework for monetary normalization intact. As far as the FED is concerned, it raised its key interest rate but lowered its future interest rate path signaling a more cautious view for coming months. However, market reaction was negative since no revision was offered on the FED's plan of balance sheet reduction. All of the above combined with political gridlocks in the US and the UK formed an investment backdrop of extreme volatility as investors shifted from riskier assets to ones with a safe haven status.
Within this context, global equity markets posted heavy losses during Q4. Even the US equity markets ended in negative territory on a yearly basis wiping out their positive performance that was recorded during the first three quarters of the year. The S&P500 fell by c.-13,50%, its worse quarterly result since 2011., resulting in a YTD performance of c.-4,4%. Performance could be even worse if there weren't the last 5 trading sessions that basically trimmed losses by almost 50% on an index level. The NASDAQ 100 continued its outperformance by finishing flat for the year (dividends included). From a sector perspective, falling oil prices weighted heavily on energy stocks with the sector declining by c.-24%., the worst quarterly performance by a wide margin, while Utilities was the only one with a positive quarterly return (c.+1,4%) justifying their defensive character. With respect to the rest of the non-US developed equity markets, they were down in a similar fashion over the quarter. European equities suffered heavy losses as data continued to point to slowing momentum in the eurozone economy and companies materially revised earnings to the downside. As a result, the MSCI EMU index fell by c.-12,60% during the quarter equating its YTD performance to c.-12,00%. Japanese equities followed a parallel track to US stock markets wiping out their positive performance of the first three quarters. Specifically, the NIKKEI225 reversed a yearly gain of c.7.70% at the end of the 3rd quarter into a loss of c.-10.40% by the end of 2018. Finally, emerging markets followed suit but managed to outperform other major markets on a quarterly basis. The MSCI EM Index retreated by c.-7,50% during the quarter resulting in a YTD performance of c.-14,50%.
Regarding fixed income markets, mixed results were recorded during Q4 as some segments benefitted from risk aversion, benign inflation expectations and concerns over global growth. Highest quality issues attracted considerable investor flows resulting in a positive quarterly performance of c.1,20% for the Bloomberg Barclays Global Aggregate Index and limiting its yearly losses to c.-1,20%. As expected, US Treasuries lead the pack. The 10-year US Treasury yield closed the quarter at 2,69%, down sharply from the multi-year high of 3.24% hit in early November. On the other hand, corporate credit edged slightly lower during the quarter, as depicted by the YTD performance of c.-2,50% for the Bloomberg Barclays US Corporate Bond index, mainly reflecting concerns over corporate leverage. Finally, high yielding bonds whose returns tend to be closely linked to equity performance were under pressure during the quarter. As a result, the Bloomberg Barclays Global High Yield index registered quarterly losses of c.-3,50% driving its yearly performance to c. -4,00%.
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 another sharp repricing to the downside of all assets.

Portfolio Recap

During that last quarter of 2018 the fund maintained the same strategy that was initiated in the 3rd quarter by gradually increasing its overall market exposure 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 the portion of assets with safe haven status within the fund's NAV in order to decrease cross asset and sub asset correlations. Within this context, the fund's equity exposure remained constant at c.30,00% of the fund's NAV, but all hedges were closed. Regarding the fund's geographical breakdown, we have maintained its overweight stance on European equities (c.22,50%) by allocating almost three times as much compared to their US peers (c.7,50%) after the recent drop in European markets due to increased geopolitical risks. European equity valuations have reached at such levels that can generate in the medium term both alpha and beta driven returns. On the equity front, the fund maintained a balanced exposure/distribution with respect to sectors and market factors.
The fund's overall bond exposure also remained constant to c.60,00% during Q4 with no material changes with respect to duration and credit risk on a look through basis. USTs were slightly increased to c.21,30% of the NAV remaining the fund's second largest position as a sub-asset class following European equities and have increased even more the fund's ability to weather a severe market turmoil due their safe heaven status. Regarding 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 year, while the fund's cash holdings were slightly increased at c. 10,00% of the NAV, the total systemic risk of the fund was increased but not to a level that it won't be able to overcome with any headwinds that might rise in the near future. Currently, the biggest risk faced by markets is the "Global Trade War" and its consequences on global growth. We are experiencing the first stages of this theme and depending on how it evolves we will adopt the respective strategy with no hesitation.

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	4,35%
VaR	3,31%
Yield Maturity	2,25%
Duration (years)	2,35

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.

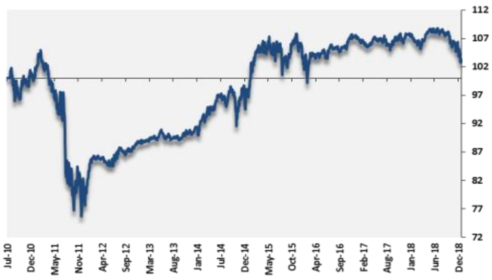
Fund Returns

Cumulative Returns per share class

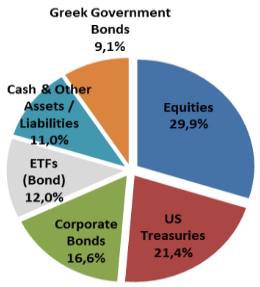
Share Classes	YTD	1 y	3 y	5 y
Prelium A	-4,14%	-4,14%	-2,53%	14,00%
Prelium B	-3,16%	-3,16%	0,47%	19,82%

Annual Returns per share class

Share Classes	2018	2017	2016	2015	2014	2013
Prelium A	-4,14%	+0,49%	+1,17%	+8,50%	+7,81%	+2,03%
Prelium B	-3,16%	+1,50%	+2,21%	+9,80%	+8,62%	+3,05%



Portfolio Asset Class Breakdown



Major Holdings(%)

US TREASURY 31/01/2022 1.875%	6,95%
ISHARES JPM USD EM BND EUR - H	6,03%
T 1.125% 28/02/21	5,58%
VZ 01/11/2021	3,79%
AAPL 06/05/2020	3,74%
GTB 0 1/2/19	3,11%
ISHARES JPM USD EM BND USD D	3,03%
US TREASURY 30/11/2020	2,84%
US TREASURY 31/08/23 2.75%	2,75%
GGB 30/01/2028	2,57%

Geografical Equities Breakdown

GERMANY	32,30%
FRANCE	29,50%
UNITED STATES	23,06%
NETHERLANDS	9,50%
BRITAIN	2,48%
ITALY	1,57%
CHINA	1,11%
ISRAEL	0,47%

Sector Allocation

Pharmaceuticals	11,12%
Cosmetics/Personal Care	8,75%
Software	6,33%
Computers	5,65%
Internet	5,08%
Engineering&Construction	4,67%
Banks	4,67%
Oil&Gas	4,65%
Auto Manufacturers	4,51%
Beverages	4,17%
Apparel	4,02%
Electrical Compo&Equip	4,01%
Insurance	3,69%
Food	3,03%
Aerospace/Defense	2,98%
Chemicals	2,88%
Semiconductors	2,88%
Household Products/Wares	2,44%
Retail	2,39%
Healthcare-Products	2,36%
Other	9,73%

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

UCITS DO NOT HAVE A GUARANTEED RETURN AND PREVIOUS PERFORMANCE DOES NOT GUARANTEE FUTURE RETURNS