Eurobank FMC-LUX

# (LF) TOTAL RETURN FUND

06 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** | 2.284.528,46 € |
| **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

Risky assets continued their 1st quarter rally into the 2nd one and thus extending even more the bull market that was initiated 8 years ago. Strong corporate earnings, generally positive macroeconomic data and signs of diminishing political risk have been supportive for the vast majority of asset classes and have formed an investment backdrop of extreme optimism and elevated market sentiment. Actually, never before in recent history popular "fear" gauges such as the VIX for the SP500 have remained at record low levels for such a prolonged period. Within this context, markets have managed to withstand the negative themes that surfaced towards the end of the quarter including the rising possibility of central bank adopting tighter monetary policies, doubts related with the ability of the Trump administration to push its ambitious policy agenda and macro data on the US economy which may imply that its growth rate is slowing down.
As expected, equities were the major beneficiary of this quarter as investors stormed to increase their exposure to this specific asset class. US equities gained on strong corporate earnings, leading all major US indices to new all-time highs. Specifically, the SP500 advanced c.2,55% on a quarterly basis resulting in a YTD performance of c.8,25% and is short only by c.1,25% from its record high. Healthcare, industrials and financials were among the top performing sectors. On the other hand, energy (oil prices continued their downward path throughout the second quarter) and telecommunication services did not rebound and remained in negative territory. During the 2nd quarter, investors maintained their increased focus on growth and momentum stocks and this is mirrored mainly on the performance of the NASDAQ 100 as technology is considered as the sector with the best growth prospects based on analyst estimates. As a result, the technology heavy index edged up another c.3,90% during the quarter resulting in a c.16,10% YTD performance. European stocks rose as well amid an improving European economy and fading political uncertainty after Macron's victory at the French presidential elections and despite hints by the ECB on tapering its quantitative program. Overall, the MSCI EMU index advanced by c.1,8% during the quarter, bringing its YTD returns to c.9,13%. It is worth noticing that within European markets, the peripherals (Greece, Portugal) stand out by delivering healthy double digit returns as their respective country risks have drastically decreased and investor confidence was restored to a great extent. Japanese equities, after a disappointing 1st quarter with negative returns , managed to trend upwards during the second quarter and post one of the best returns on a quarterly basis (c.6,00%) among developed markets. There is increased optimism on the prospects of the Japanese economy in the light of recent economic data which have helped the NIKKEI225 end with a c.4,80% YTD performance. Finally, emerging markets apart from being positively correlated to improved global growth prospects got an extra boost from the weakening dollar and posted a positive quarter return of c.5,50%. Hence, the MSCI EM index has extended its YTD performance to c.17,20%.
As far as fixed income markets are concerned, positive economic data and still subdued inflation provided a healthy backdrop for bonds. The Bloomberg Barclays Global Aggregate index extended its YTD gains to c.4,4%. Within the fixed income universe, demand for yield combined with strengthening corporate balance sheets and a weakening dollar continued to benefit global credit and in particular high yield as depicted by the Bloomberg Barclays Global High Yield index which advanced another c.3.2% registering a c.6,45% YTD performance. Among major sovereign bonds, performance was mixed. On the one hand, US Treasuries managed to post a positive quarter despite the last FED rate hike as markets continue to challenge its future tightening policy and expect inflation to remain subdued. On the other hand, core European sovereigns experienced a considerable sell-off towards the end of the quarter due to hints by the ECB that it might start tapering its quantitative sometime in the near future.
Looking ahead, markets may have drawn support from global economic recovery and strong corporate earnings but they will eventually have to contend with a number of challenges. First and foremost a major shift in central bank policies. Central banks in their effort to revive the global economy have provided the financial system with excess liquidity and part of it was channeled to markets. Eventually, sometime in the near future central banks will have to shrink their balance sheets and withdraw this liquidity once they have reached their economic goals. Given the positive correlation between central bank balance sheets size and markets, then risks are skewed on the downside in this case. A first glimpse was given towards the end of the quarter when discussions over the FED shrinking its balance sheet emerged. Needless to say that markets were a bit shaken and a dovish testimony in Congress by Yellen was "needed" to calm things down. At the same time, valuations are stretched well above their long time averages and corporate earnings growth rates are probably peeking out since they have reached their historic highs, especially in the US. This implies that a normalization in valuations will be harder to come through earnings expansions (companies cannot sustain high growth rates for a prolonged period). Finally, if we factor in investor complacency and that volatility will unavoidably revert to higher levels, then we end up with a very challenging investment environment for the rest of the year that will be very for investors to navigate through.

## Portfolio Recap

The fund slightly increased its overall market exposure during the 2nd quarter of the year in order to utilize the positive global growth rates and the improved market sentiment. Taking into consideration the fact that equity valuations are stretched and risky assets have not witnessed any major pullback for quite some time, this increase in risk was done in such manner that the fund would be able to withstand the negative effects of markets moving into a risk-off mode as in the case at the end of this quarter when volatility increased and there was quite a substantial selloff in risky assets: the fund's performance was not effected since alpha generated returns were able to offset the increase in systemic risk. Within this context, we have maintained the fund's equity exposure to c.30,50% but decreased hedges to 50% of equity holdings. Regarding the fund's geographical breakdown, we adopted an overweight stance on European equities relative to US ones since European corporate earnings are in the early stages of expansion. On the other hand, US corporate earnings growth rates seem to decelerate possibly marking a relative peek. On a sector and factor level, the fund shifted its focus from technology and growth companies to value companies, small cap, consumer discretionary, energy, materials and financials which tend to outperform in an environment of rising yields and inflation. Global economic activity is accelerating which is supportive for commodity prices and there is an increased possibility of oil prices bottoming out and thus an increased possibility of inflation to pick up in the next few months contrary to market expectations.
The fund's overall bond exposure was slightly decreased to c.44.50% but duration and credit risk were slightly increased on a look through basis since many positions were initiated through ETFs. The fund maintained its positions to European peripheral sovereign bonds and initiated positions to emerging market debt and high yielding bonds. Typical interest rate sensitive holdings were decreased and within this context US treasuries and investment grade corporate credit were decreased. Finally, the fund maintained it exposure to floating rate notes and inflation protected notes through ETFs.
With respect to the fund's currency exposure, US dollar exposure remains fully hedged while the British pound exposure is left unhedged as the British economy seems to stabilize and adopt to the new era of potentially living the European Union. By the end of the quarter, the fund's cash holdings were slightly increased to c. 25% of the NAV. Overall, the fund adopted a less defensive strategy on a tactical basis compared to the first quarter but still defensive enough in order to contain downside risk. Global economic growth and corporate earnings may be in stable path but markets are at an inflection point as central bank policies come to the foreground, once again. An eventual turnaround of monetary policies after years of accommodation may trigger an investor shift from risky to safe assets. Given that investor complacency is extremely high and volatility extremely low, this shift may take place in a very abrupt way justifying a more defensive stance than market consensus.

| | Prelium A | Prelium B |
|---|---|---|
| **Currency** | EUR | EUR |
| **ISIN code** | LU0517761358 | LU0517761515 |
| **Bloomberg ticker** | PRELFTR LX Equity | PRELFTB LX Equity |
| **MorningStar Rating** | 2-Star | 3-Star |
| **Inception date** | 5/7/2010 | 19/11/2010 |
| **Assets ( class currency)** | 2.061.675,92 | 222.852,54 |
| **NAV** | 10,6559 | 11,3412 |
| **Min NAV** | 10,4387 | 10,9993 |
| **Max NAV** | 10,7715 | 11,4036 |
| **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

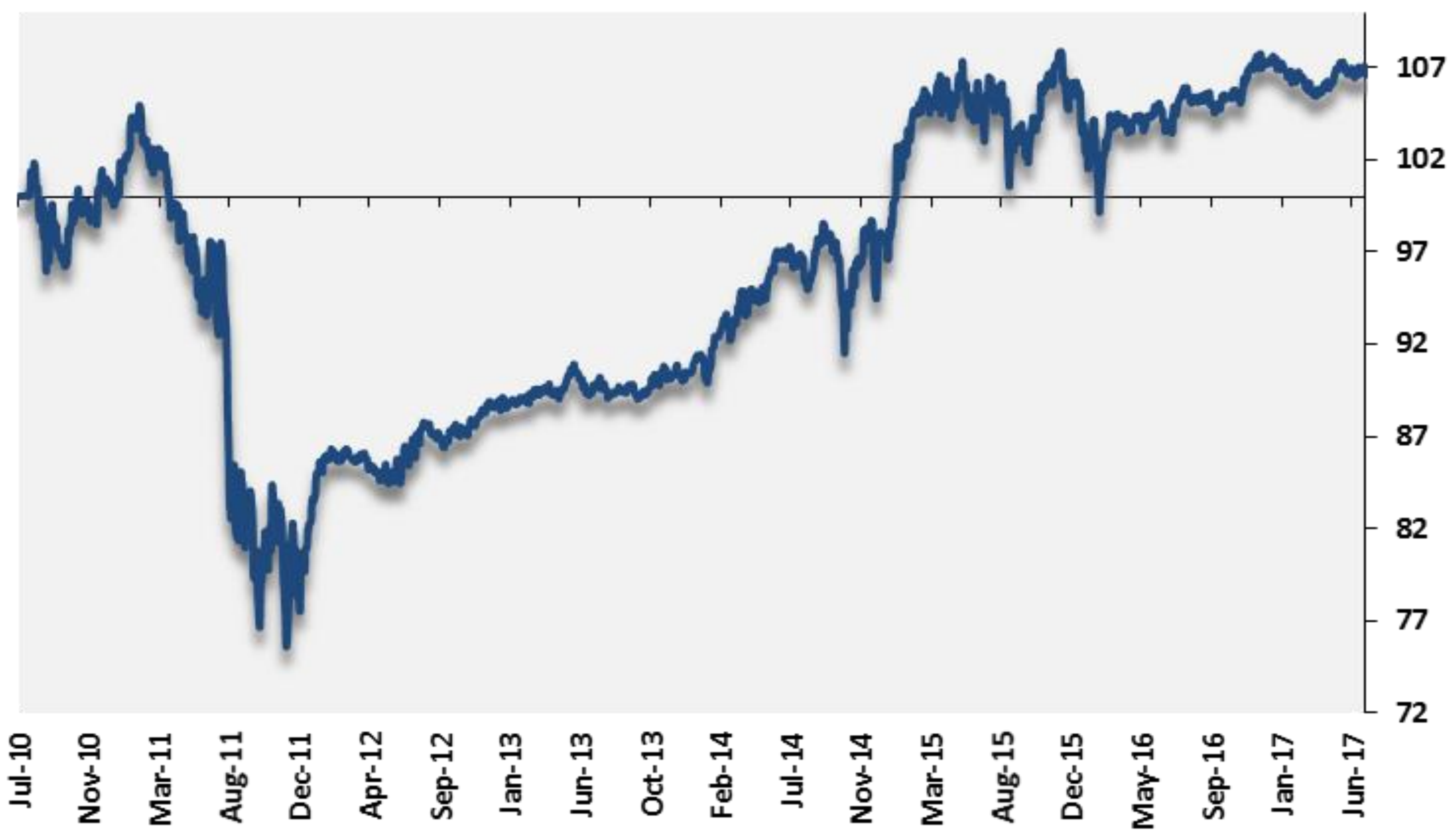
| | |
|---|---|
| Standard Deviation | 3,33% |
| VaR | 1,57% |
| Yield Maturity | 1,54% |
| Duration (years) | 2,59 |

**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.

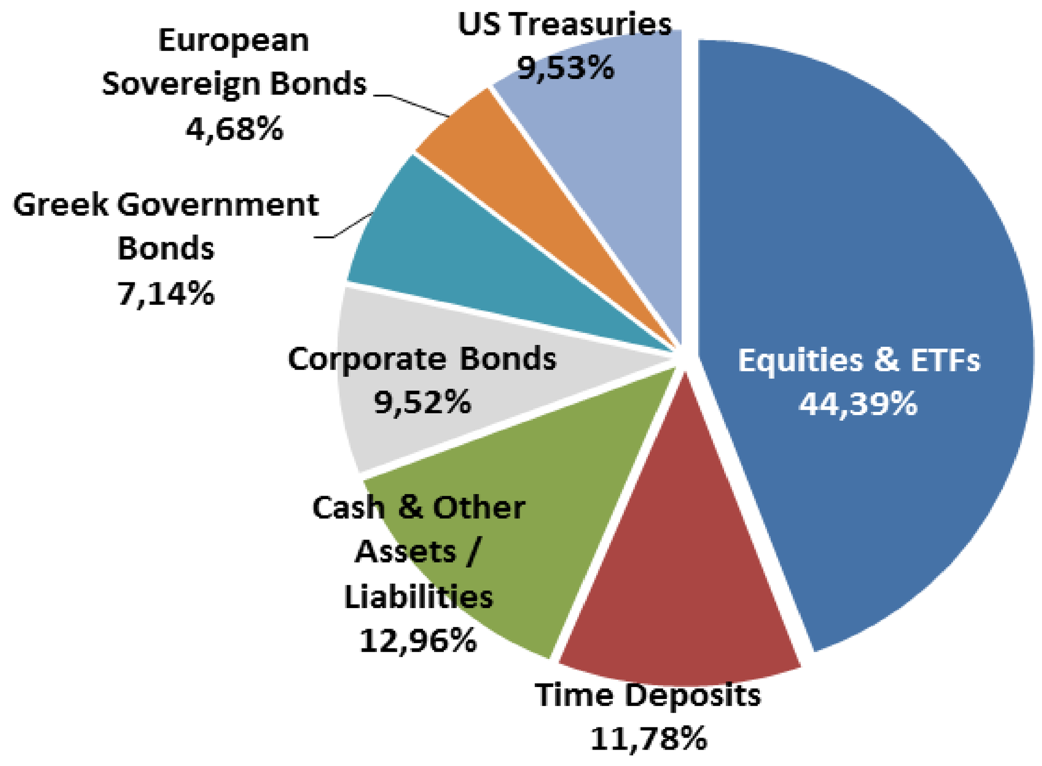
## Fund Returns

### Cumulative Returns per share class

| Share Classes | YTD | 1 y | 3 y | 5 y |
|---|---|---|---|---|
| Prelium A | -0,59% | 1,86% | 10,34% | 24,29% |
| Prelium B | -0,09% | 2,90% | 13,75% | 30,53% |



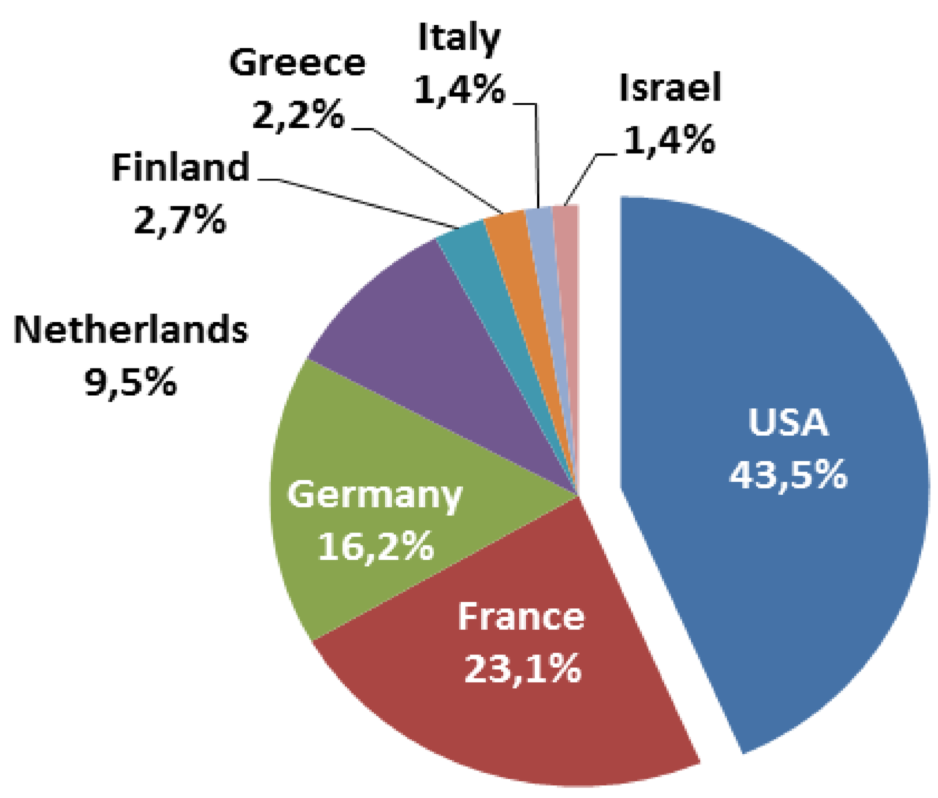

## Portfolio Asset Class Breakdown




## Major Holdings(%)

| | |
|---|---|
| TD LUX 18/10-18/10 1.48% ING Bank N.V. | 5,75% |
| EUROBANK EQUITIES INVEST FIRM MARGIN USD | 3,40% |
| OBRIGACOES DO TESOURO | 2,39% |
| OBRIGACOES DO TESOURO, 17/10/2022 | 2,29% |
| T Dep 03/05-17/10 -.38% ING Bank N.V. | 2,19% |
| ISHARES EURO INFL | 2,14% |
| CASH IN USD (EUROBANK LUX) | 2,13% |
| ISHARES CORE GBP CORP | 2,03% |
| US TREASURY 30/11/2020 | 1,94% |
| US TREASURY 31/01/2022 1.875% | 1,92% |

## Geografical Equities Breakdown




## Equities Sector Breakdown

| | |
|---|---|
| Energy Sources | 7,49% |
| Banks | 6,34% |
| Chemicals | 5,88% |
| Software | 5,67% |
| Metals & Mining | 5,62% |
| Telecommunications | 5,10% |
| Health & Personal Care | 4,16% |
| Financial Services | 3,57% |
| Food & Household Products | 3,15% |
| Internet Media | 2,96% |
| Appliances & Households | 2,96% |
| Pharmaceuticals | 2,87% |
| Construction & Engineering | 2,75% |
| Leisure & Tourism | 2,73% |
| Electronic Components & Instruments | 2,70% |
| Technology & Consulting Services | 2,15% |
| Healthcare Facilities | 2,14% |
| Insurance | 1,92% |
| Food Distibution & Convenience Stores | 1,80% |
| Miscellaneous Specialty Retailers | 1,77% |
| Other | 26,26% |

## Contact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