



Global Emerging Market Equities

Emerging Focus expertise



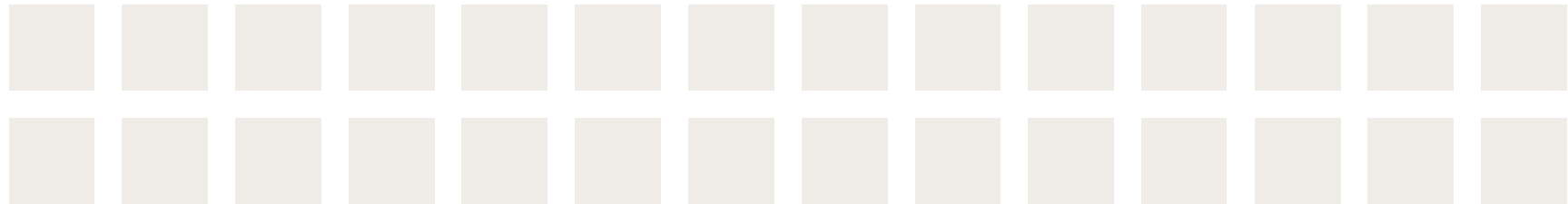
Mickaël Tricot, CFA
Strategy Head

November 2016



This material is **solely for the attention of « professional » investors**
(see more details and definitions at the end of the document).

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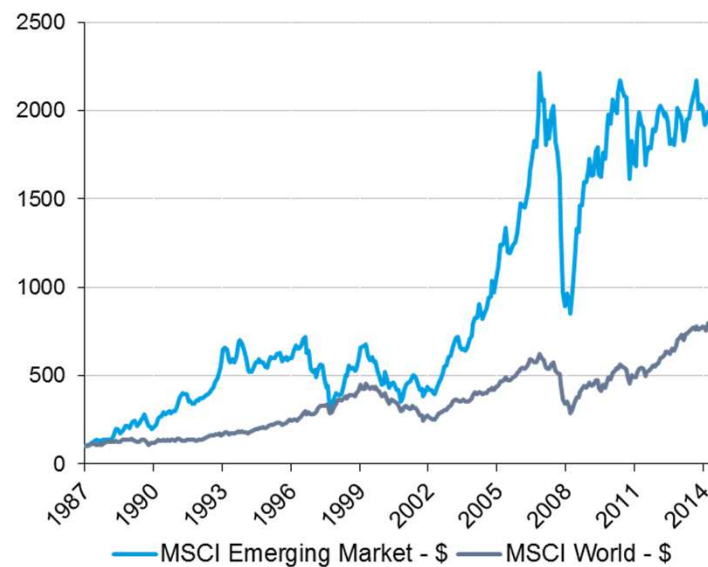


- 1. EM Equity specificities and investment process**
2. Portfolio positioning and track record

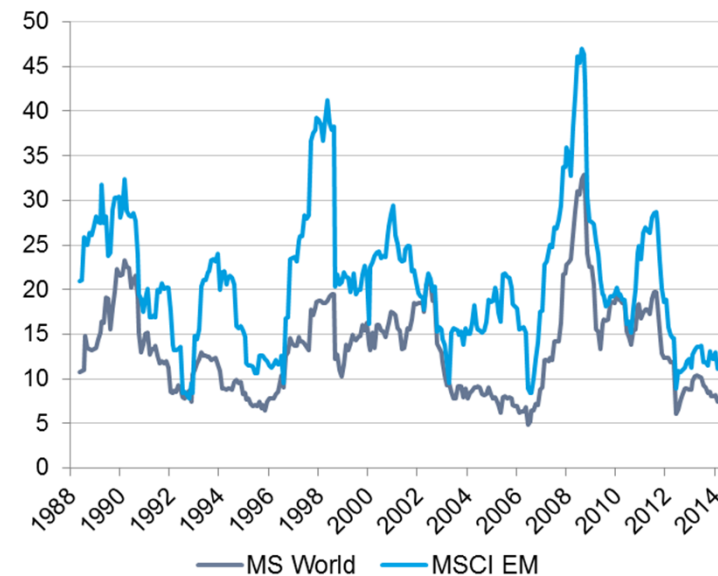
EM high returns yet volatility can frighten off investors

Emerging Equities have historically displayed strong returns yet higher volatility than developed equities

Emerging equities have strongly outperformed developed equities since 1987



1 Year volatility of MSCI World DM and MSCI EM equity indexes

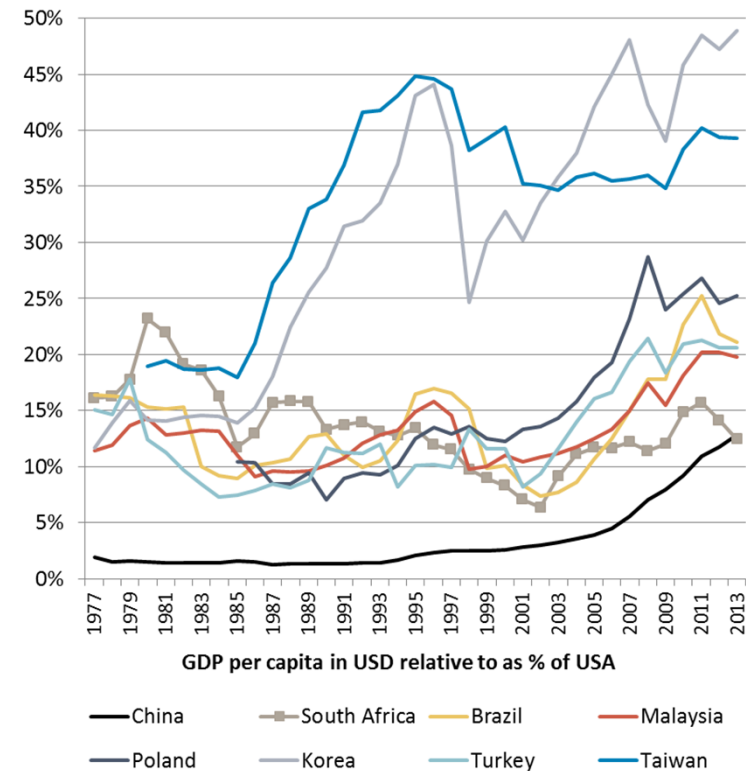


Diversity : looking for the successful

What we look for in Emerging countries ?

- **Economic development more art than science**
- **We avoid investing in countries not meeting most of these characteristics :**
 - ✓ Stability of economic environment (interest rates, inflation, liquidity conditions, fiscal policy, exchange rates etc.)
 - ✓ Ability to increase savings and investments (quality of financial system key in this intermediation process)
 - ✓ Mobilization of under employed population and improvement in quality of labor force
 - ✓ Government intervention to coordinate investment, build infrastructures, help technology transfer, promote exports etc.
 - ✓ Respect of property rights and quality of legal institutions

Economic growth in Emerging countries: many successes but no automatic catch up



Two different sectors : domestic sectors are an easier route to adding value

Globally driven sectors exhibit high correlation between themselves

Domestically driven sectors have low correlation with globally driven sectors AND between themselves

	Globally driven sectors						Domestic sectors					
10 years correlation	Korean Ind.	Russia Energy	India Energy	Brazil Mat.	China Mat.	Korea Mat.	India Cons. Stap.	China Health care	Philippines Fin.	Thailand Cons. Stap.	China Inf. tech.	China Utilities
Korea - Industrial	100%	67%	85%	82%	88%	90%	49%	-6%	65%	31%	27%	57%
Russia - Energy	67%	100%	67%	64%	53%	51%	75%	-9%	39%	30%	32%	8%
India - Energy	85%	67%	100%	86%	86%	80%	51%	-1%	55%	19%	29%	51%
Brazil - Materials	82%	64%	86%	100%	81%	90%	45%	17%	50%	47%	43%	43%
China - Materials	88%	53%	86%	81%	100%	89%	41%	4%	61%	23%	40%	67%
Korea - Materials	90%	51%	80%	90%	89%	100%	35%	19%	62%	46%	49%	57%
India - Cons. Staples	49%	75%	51%	45%	41%	35%	100%	22%	51%	42%	36%	15%
India - Health care	44%	52%	51%	53%	44%	53%	70%	56%	55%	49%	68%	18%
China - Health care	-6%	-9%	-1%	17%	4%	19%	22%	100%	6%	45%	65%	5%
Philippines - Financials	65%	39%	55%	50%	61%	62%	51%	6%	100%	41%	34%	64%
Thailand - Cons. Staples	31%	30%	19%	47%	23%	46%	42%	45%	41%	100%	46%	-7%
Poland - Financials	78%	65%	73%	74%	65%	77%	55%	23%	70%	37%	50%	51%
China - Info. Tech.	27%	32%	29%	43%	40%	49%	36%	65%	34%	46%	100%	22%
China - Utilities	57%	8%	51%	43%	67%	57%	15%	5%	64%	-7%	22%	100%

Above 80%

Below 30%

Below 10%

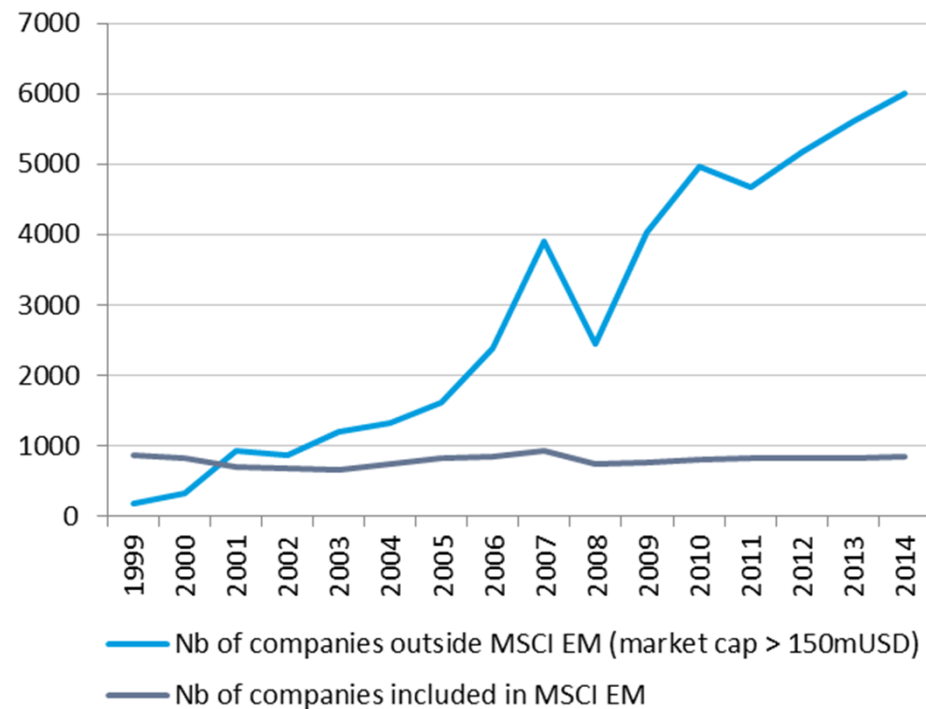
Source: Amundi, Historical correlation from February 2006 to February 2016. Given for illustrative purpose only . See also Amundi Research paper : « Low risk equity investments: empirical evidence, theories, and the Amundi experience » <http://research-center.amundi.com>

Past market behaviours do not prejudice future behaviours

Emergence of small-mid caps and off-benchmark

Tremendous opportunities outside of traditional index

Number of components of MSCI EM index vs. EM companies non included in the index



Our investment approach



Maximizing returns

- A large investable universe, including small stocks and companies that are not included in the benchmark
- An approach designed to identify those stocks best placed for growth
- A strong valuation discipline



Minimizing losses

- Top-down analysis aiming to reduce downside risk
- Risk of worst case is as important as base case TP when making investment decisions
- A balanced portfolio where diversification is emphasized

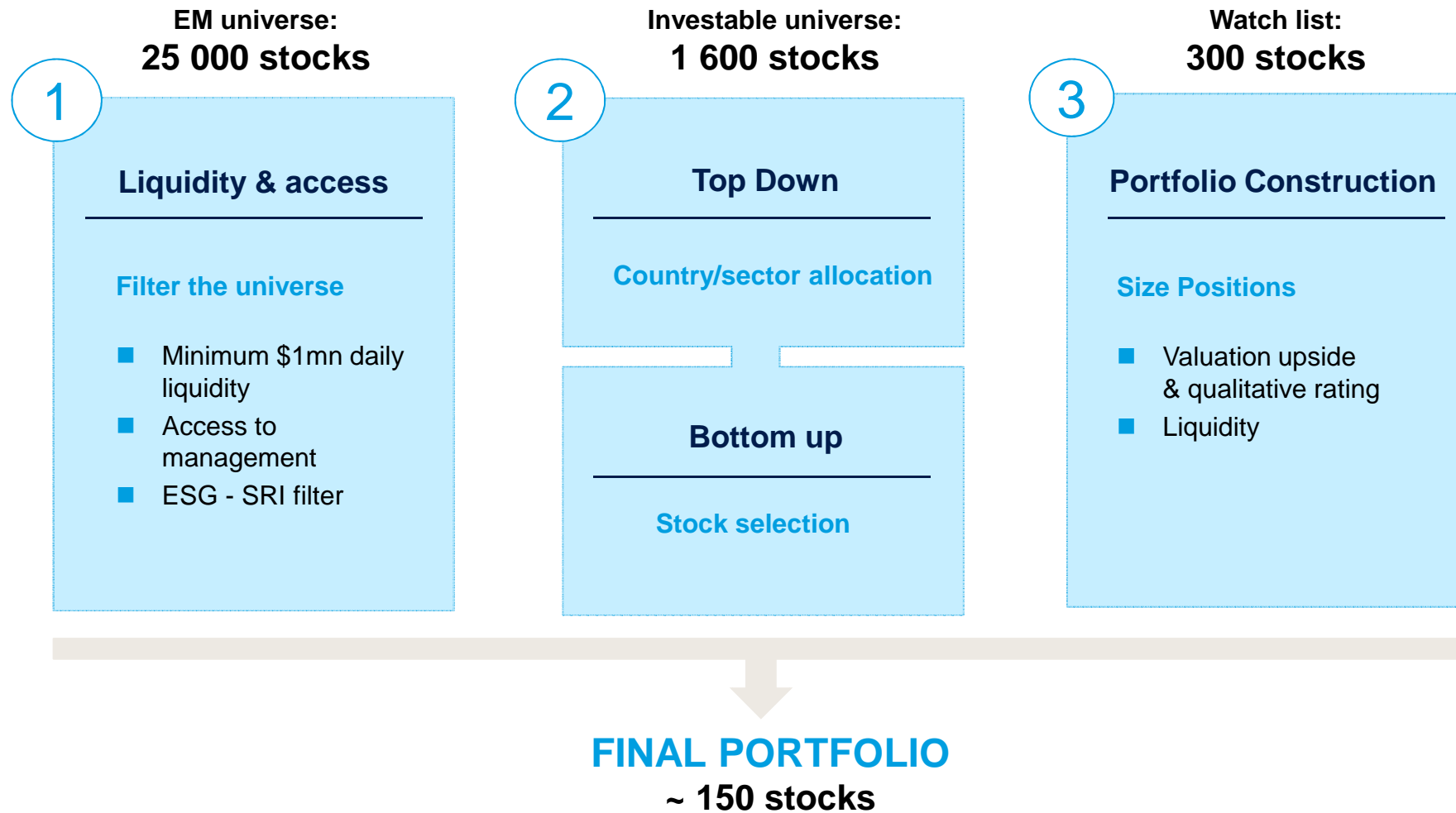
► **Objective¹: 3% gross outperformance with an information ratio of 0.5 to 1**

Given for illustrative purpose only, may be changed without prior notice.

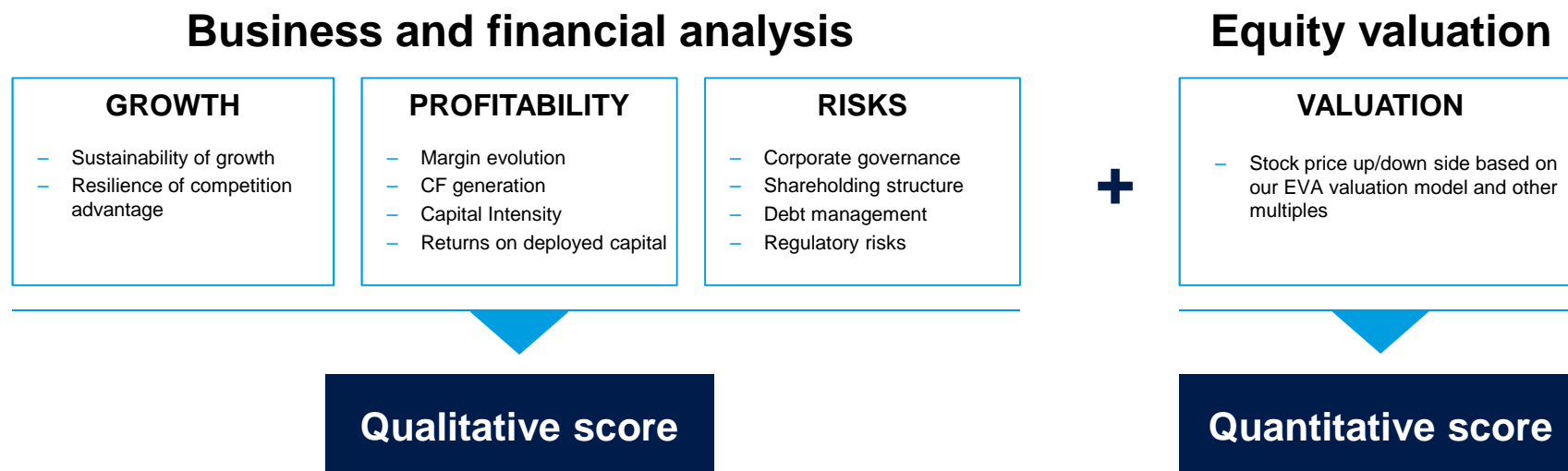
The sub-fund does not offer a performance or capital guarantee.

¹ Given for indicative purpose only, may be changed without prior notice.

Investment process: finding the best opportunities



Bottom-up analysis: identify individual stocks



Resulting in our watch list

Qualitative score

+

Quantitative score

50%

50%

Global Rating
for each company

A

B

C

D



Watch list

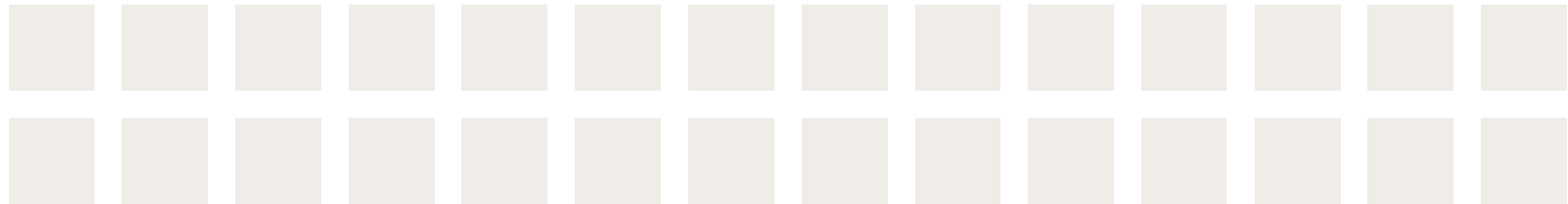
A: Strong buy upside potential of 20%+ (*overweight by 80 – 150bps*)

B: Buy upside potential of 10 - 20% (*overweight by 40 – 80 bps*)

C: Buy upside potential below 10% (*overweight by 10 – 40 bps*)

D: Neutral/Underweight – occasionally in portfolio for risk control

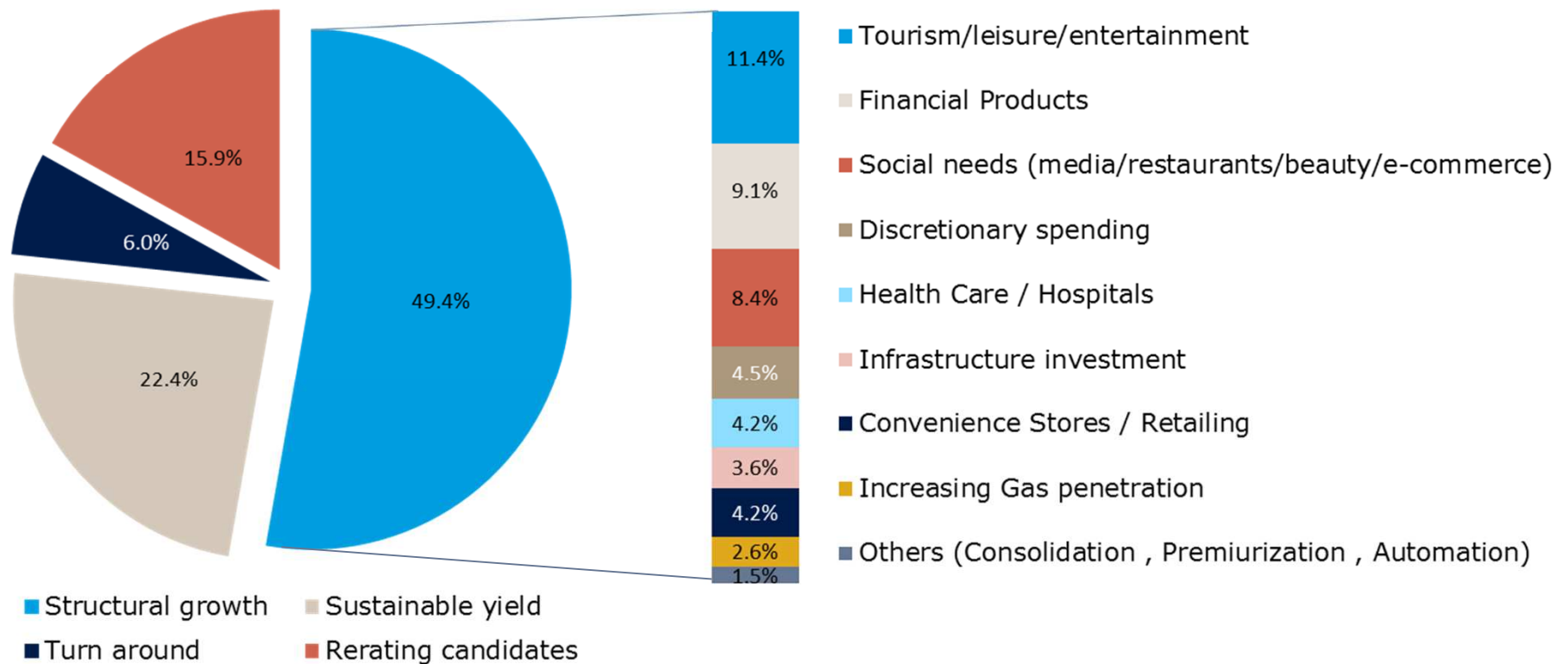
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1. EM Equity specificities and investment process
- 2. Portfolio positioning and track record**

Portfolio breakdown










Amundi Funds equity Emerging Focus : breakdown by investment themes



Our highest convictions in a nutshell

Number of companies 162

Active share 70%

	Top 10 active positions	Portfolio	MSCI EM	Over weight	Country	Sector
	NASPERS	3.0%	1.8%	1.2%	South Africa	Consumer Discretion.
	LAFARGE HOLCIM	1.0%	0.0%	1.0%	Swiss	Materials
	UNILEVER	1.0%	0.0%	1.0%	UK	Consumer Staples
	CHINA OILFIELD SERVICES	1.0%	0.1%	0.9%	China	Energy
	SINOPEC CHINA	1.4%	0.5%	0.9%	China	Energy
	ITC	1.1%	0.3%	0.8%	India	Consumer Staples
	DELTA ELECTRONICS	1.1%	0.3%	0.8%	Taiwan	Information Technology
	ICICI BANK	0.9%	0.1%	0.8%	India	Financials
AMOREPACIFIC	AMOREPACIFIC	1.1%	0.3%	0.8%	Korea	Consumer Staples
	TSMC	4.2%	3.5%	0.7%	Taiwan	Information Technology
	TOTAL	15.8%	6.9%	8.9%		

Source : Amundi front office data

Given for illustrative purpose only. Data end September 2016.

Allocations are as of date shown and are subject to change without prior notice, within the limits stated in the prospectus

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NetEase Inc. : a typical stock we like

NetEase, Inc. Sponsored ADR

Market Cap (bn USD) 23.2
Country UNITED STATES
Sector Information Technology
Price 176.16 USD

Internet content provider in China through online gaming, portal, email, e-commerce

Rating C

Qualitative Score

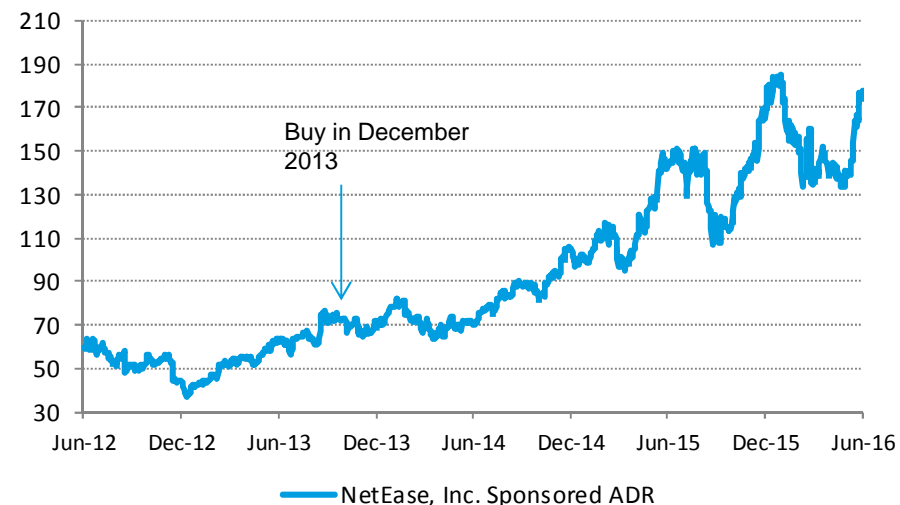
Growth 3
Profitability 2
Risks 1
Final score 2.00

Quantitative score

	Base Case	Worse Case
Fair value	211.0	154.2
Upside/downside	19.8%	-12.5%



NetEase, Inc. Sponsored ADR historical performance



- Good track record as online game developer in China
- High traffic but under monetized online assets (email, music, dictionary, online classroom, etc)
- Strong cash generation and prudent investment strategy

Source: Bloomberg, Amundi front office data extracted as of 10/05/2016 .

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Gourmet Master: a successful turnaround

Gourmet Master Co. Ltd.

Market Cap (bn USD) 1.2
Country TAIWAN
Sector Consumer Discretionary
Price 288.5 TWD

**Restaurant chain store
business under brand name
85°C in Taiwan and China**

Rating B

Qualitative Score

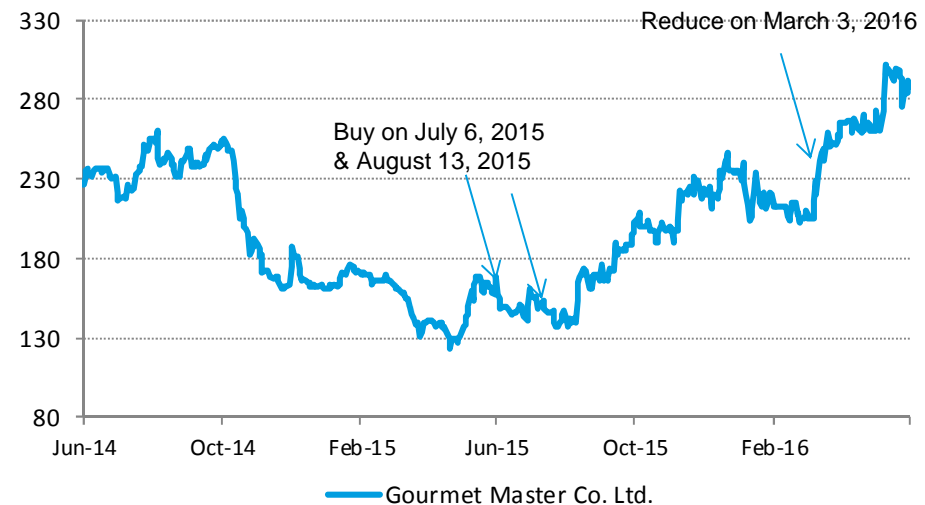
Growth 2
Profitability 1
Risks 4
Final score 2.33

Quantitative score

	Base Case	Worse Case
Fair value	331.7	210.6
Upside/downside	15.0%	-27.0%



Gourmet historical performance



- After several years of earnings disappointments
- We bet on a potential turnaround in mid-2015
- Strong operating leverage from central kitchen and store remodelling past investments

Portfolio core holding: TSMC

Taiwan Semiconductor Manufacturing Co., Ltd.



Market Cap (bn USD) 113.9
Country TAIWAN
Sector Information Technology
Price 147 TWD

World's largest dedicated independent semiconductor foundry

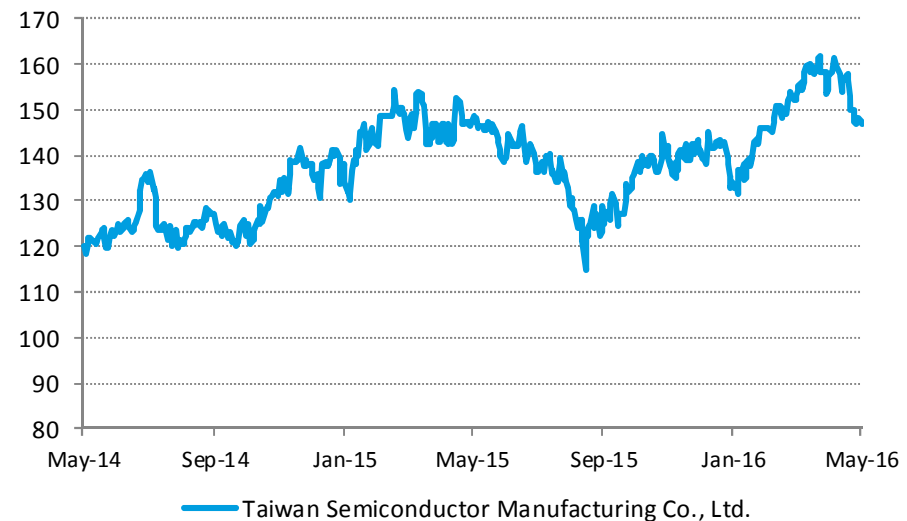
Qualitative Score

Growth	3
Profitability	1
Risks	2
Final score	2

Quantitative score

	Base Case	Worse Case
Fair value	163.2	110.4
Upside/downside	11.0%	-24.9%

TSMC historical performance



- Proven ability to execute on technology migration
- Has been gaining market share
- Best time to market and high free cash flow on a structural cost advantage being located in Taiwan (*indirect subsidies from low valuation currency*)

Source: Bloomberg, Amundi front office data extracted as of 10/05/2016

Given for indicative purpose only and may change without prior notice.

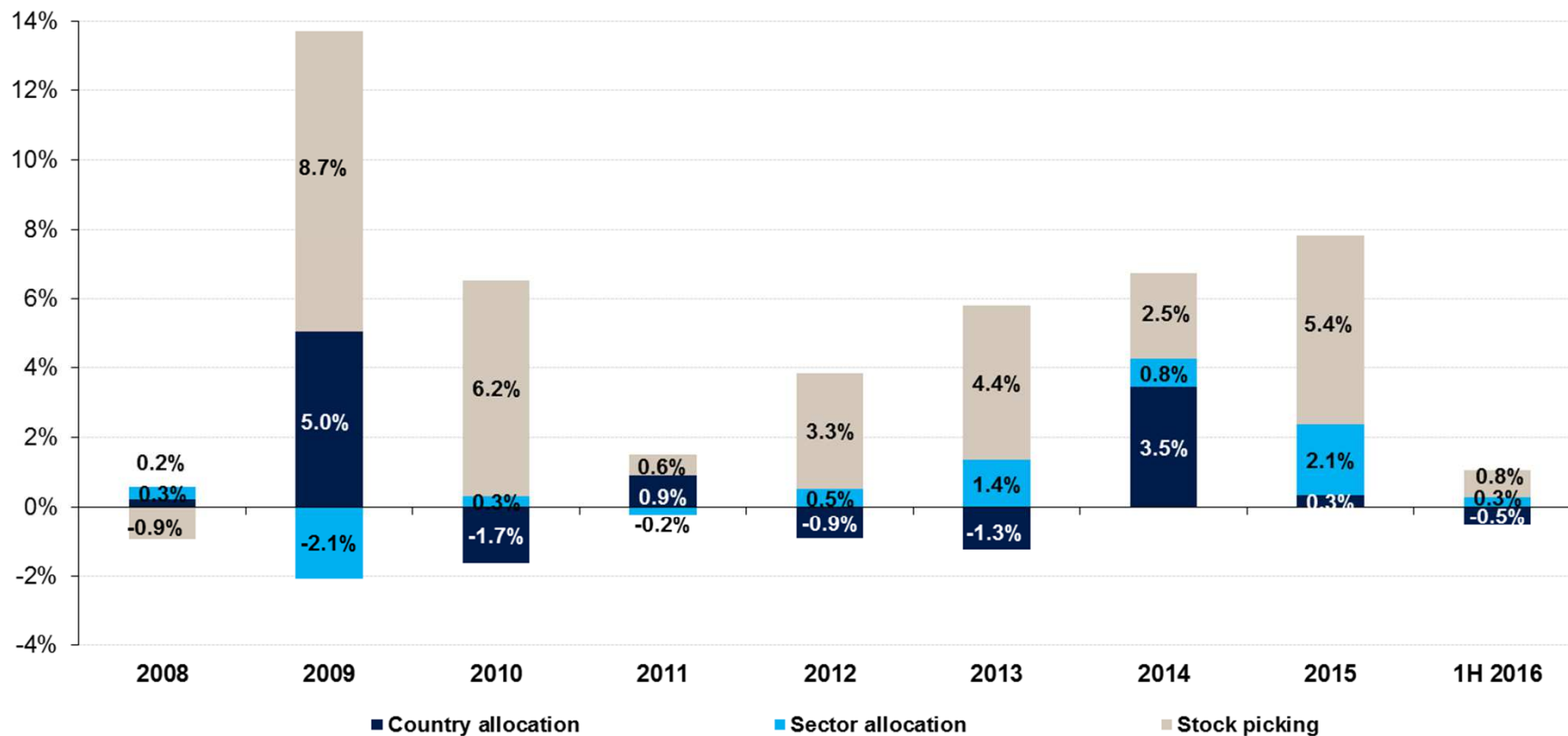
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Portfolio Statistics

Portfolio Composition	Fund	MSCI EM
Small-mid Caps	22.6%	14.5%
Large Caps	72.5%	85.5%
Out of benchmark	19.1%	-
Active Share	70%	-
Number of stocks	162	818
Number of stocks out of benchmark	50	-
Top 10 in % of total	23.0%	17.3%
Ratios	Fund	MSCI EM
Price to Earnings (12m forward)	15.6	12.4
Price to Book	2.1	1.6
Dividend Yield	2.0%	2.6%
Return on Equity	14.6%	13.4%
EPS Growth (next 12m)	18.6%	14.3%

Source: Amundi, FactSet. Data as of end September 2016. Small-mid caps threshold is set at USD 5bn.
Given for illustrative purpose only, may be changed without prior notice within the limits stated in the prospectus.

Outperformance has been driven by stock picking



Gross relative
performance
(ex transaction fees)

-0.4%

11.6%

4.2%

1.3%

2.9%

4.5%

6.7%

7.8%

0.5%

Source: Amundi, as of June 2016, gross performance in USD.

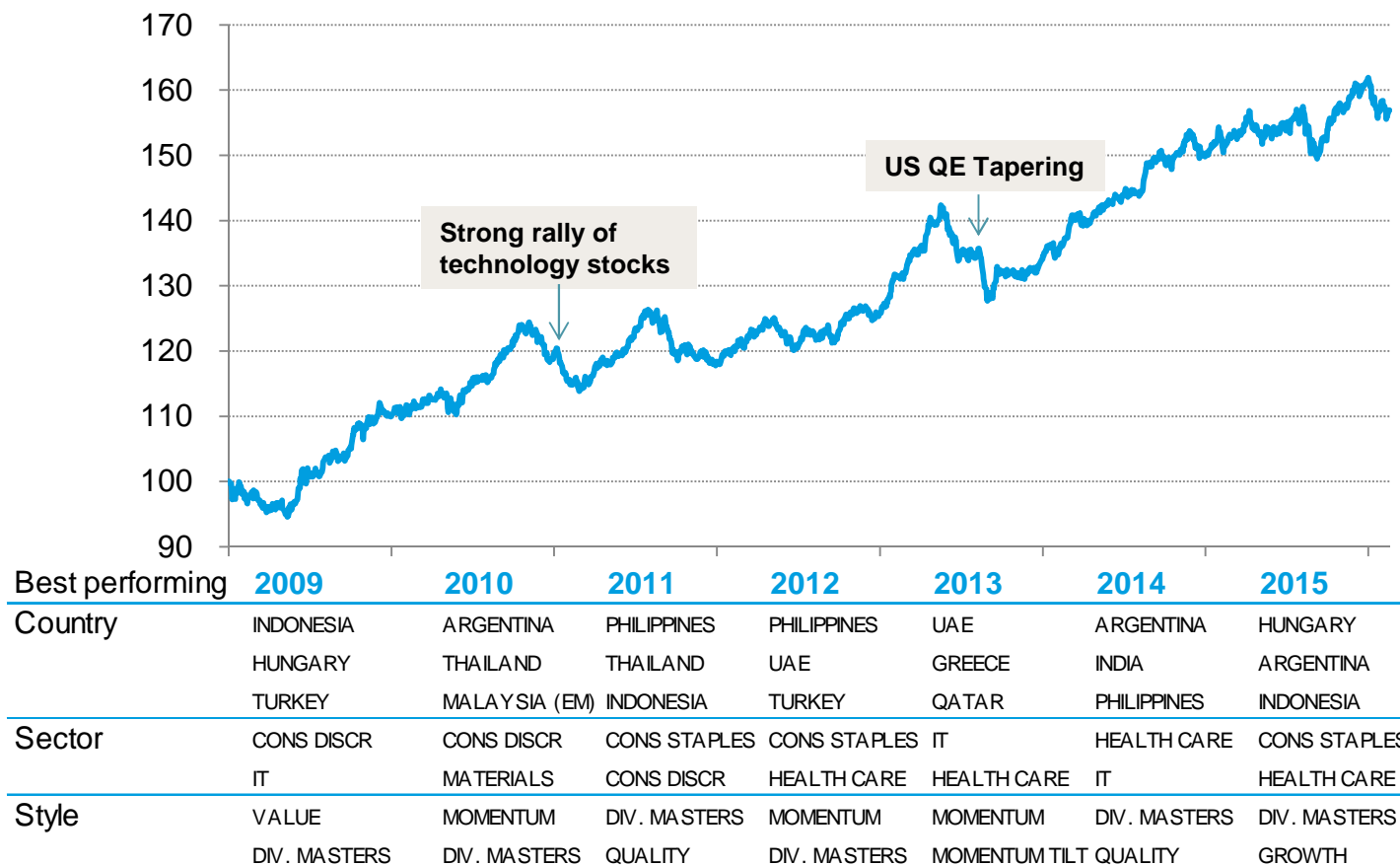
Past performance does not prejudice future results, nor is it a guarantee of future returns.

Emerging Focus Expertise

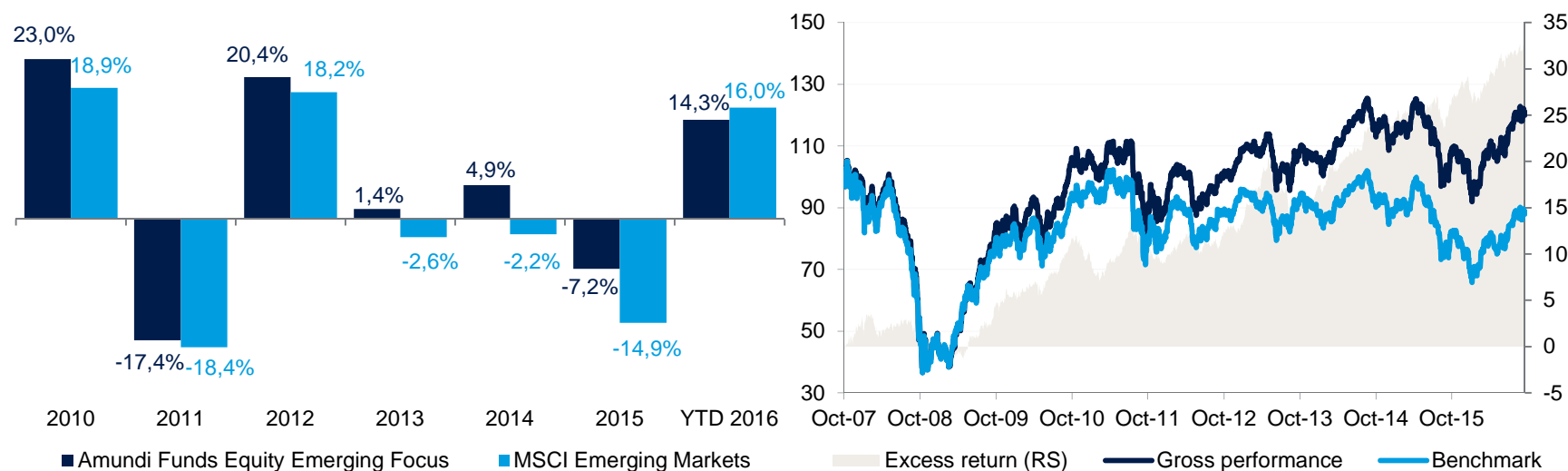
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Steady outperformance across market cycles

Gross outperformance of Amundi Funds Equity Emerging Focus



Performance: a best-in-class return and information ratio



Gross performance in USD as of 30/09/2016					
	YtD	1 year	3 years	5 years	Annualised since inception (16/10/2007)
Portfolio	14.3%	19.0%	14.3%	40.3%	2.1%
Benchmark	16.0%	16.8%	-1.7%	16.1%	-1.4%
Excess Return	-1.7%	2.2%	16.0%	24.1%	3.5%
Risk Indicators					
	YtD	1 year	3 years	5 years	Since inception
Ex-post Tracking Error	-	3.8%	3.5%	3.7%	3.9%
Portfolio Information Ratio	-	0.6	1.4	1.1	0.9
Risk Indicators					
	YtD	1 year	3 years	5 years	Since inception
Portfolio Volatility	-	18.3%	15.5%	15.8%	24.3%
Benchmark Volatility	-	20.5%	17.2%	17.4%	25.2%

Fund AuM (\$M)	600
Morningstar Rating	★★★★
Amundi Fds Eq Emg Internal Demand IU-C	
Lipper leaders	✓✓✓✓✓
Amundi Fds Eq Emg Internal Demand IU-C	

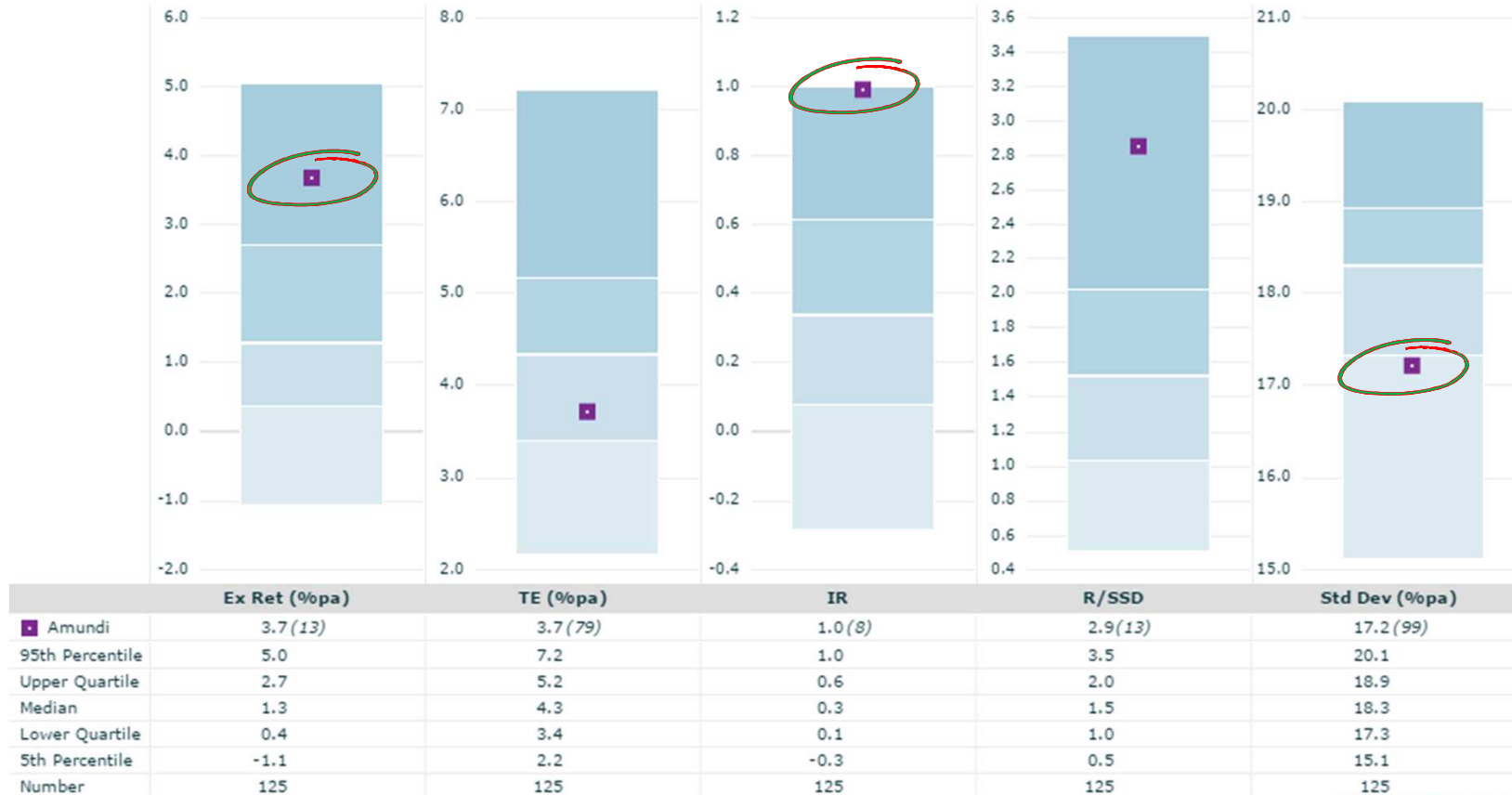
Source: Amundi, as of 30 September 2016, gross performance in USD. Morningstar Rating Overall and Lipper Luxembourg Consistent Return Overall as of June 2016. Past performance does not prejudice future results, nor is it a guarantee of future returns

97% of competitors beaten on information ratio metric

Amundi - Global Emerging Markets Focus

Performance characteristics vs. MSCI EM in \$US (before fees) over 7 yrs ending September-16

Comparison with the Emerging Markets Equity universe (Actual Ranking) (monthly calculations)



Created on 25 Oct 2016 at 11:54 AM



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Source: Mercer, as of September 2016. Mercer Performance Analysis. All rates of return are before tax and before management fees in \$US. Rates of return are annualised for periods exceeding one year. Past investment performance is not an adequate test of comparative performance, nor a reliable indicator of the expected absolute level of returns in the future.

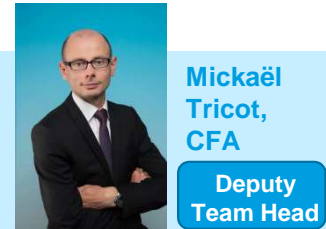
An experienced and stable investment team



24 years' experience



20 years' experience



16 years' experience

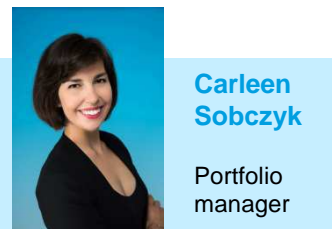


30 years' experience

LATIN AMERICA



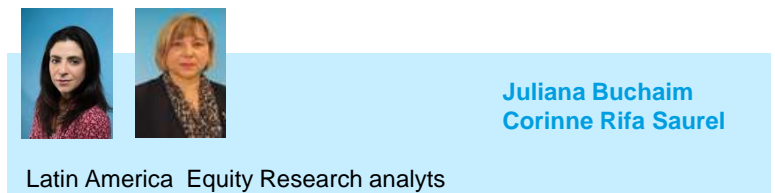
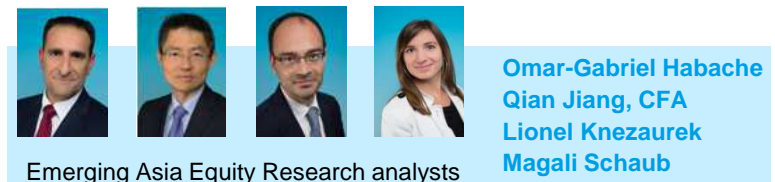
19 years' experience



7 years' experience

EMEA & MENA

EMERGING ASIA



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