



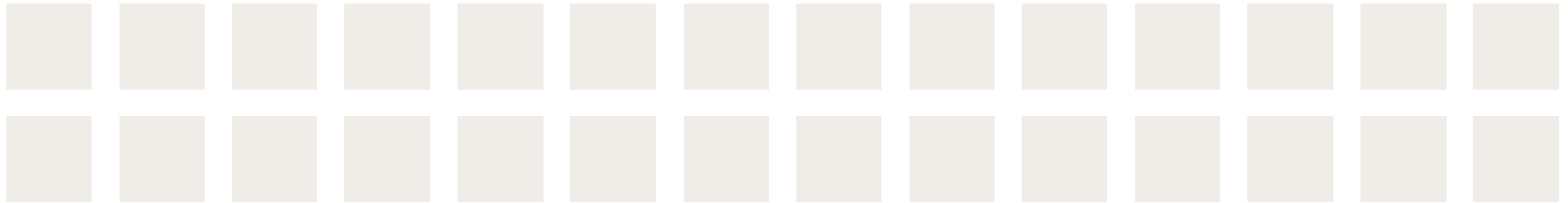
## Amundi Funds Bond Global High Yield



November 2016

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## Amundi - A major global player

As the leading European asset manager, Amundi has a successful track record of implementing and consolidating its expertise around the world. Located in more than **30** countries, our employees are committed to serving our clients and building lasting relationships based on mutual trust.

**\$1,114/€1,004**

billion  
of assets under  
management<sup>(1)</sup>

**N°1**

European Asset Manager<sup>(2)</sup>

**TOP 10**

Worldwide<sup>(2)</sup>

Over  
**4,000**  
employees

**20 years**

presence  
in the Middle East

**30+ years**

presence  
in Asia

-  International Investment Center
-  Office dedicated to network partners
-  Office dedicated to institutional clients and third-party distributors



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Global High Yield Market

Why Now, Why ASB

## Market Outlook – Executive Summary

### **Steady but unspectacular U.S. economic growth trend should continue in 2016 and 2017.**

- Central forecast of 2.0 percent GDP growth and low recession risk.
- Sustained U.S. consumption growth is essential element to the growth story.
- Business spending outlook remains uncertain but does offer potential for an upside surprise.
- Watch U.S. employment utilization measures for inflationary signals.

### **Fed Funds market pricing currently provides little cushion for better macro data.**

- The FOMC is aware that rate hikes can have an outsized impact on the U.S. dollar and that dollar appreciation has an outsized impact on global financial conditions given the link between the dollar and the CNY.
- As the FOMC's forecast of the long-term neutral funds rate declines, the Fed has less "to do" in order to remove excess accommodation.
- While low(er) global growth and inflation (realized and expected) may keep yield levels depressed, the possibility of a global fiscal stimulus may also put a floor under interest rates.

### **Corporate bond valuations have normalized relative to economic growth expectations.**

- Spread compensation is average relative to longer-term valuation measures.
- Market subsectors are at different stages of the credit cycle – issuer selection and sector allocation is important!
- U.S. high yield default rate expected to fall to the ~4% area over the next 12+ months.
- Globally, U.S. credit markets (yields and spreads) offer value relative to many local fixed income alternatives.

### **Securitized markets offer attractive relative value.**

- Agency MBS valuations reflect a transition in the marginal buyer (Federal Reserve versus private).
- CMBS, ABS, and new issue RMBS offer attractive spreads relative to other fixed income sectors with comparable fundamental risk.
- The U.S. housing recovery remains on track.

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## Amundi Funds Bond Global High Yield

## Amundi Funds Bond Global High Yield Characteristics

### ■ Investment Objective

Seeks to outperform the Bank of America Merrill Lynch Global High Yield Index over a minimum investment horizon of 3 years

### ■ Investment Strategy

- Top down allocation across the 3 subcomponents of the \$2.2 trillion Global High Yield Market: U.S. High Yield, European High Yield and the Emerging Markets High Yield Corporate Credit.
- Key performance drivers are top-down sector allocation and bottom-up bond selection, based on a value-driven approach
- Emphasis on managing downside risk
- Strategy takes advantage of Amundi's global credit research resources (Durham, Paris and Singapore)
- Ability to vary rating risk and sector exposure over the credit cycle to protect principal and generate return.

### ■ Fund Assets

\$75 million

As of November 30, 2016.

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## Amundi Funds Bond Global High Yield

### Why Global High Yield?

The high yield market is increasingly a global market. Since the end of 2008:

- U.S. High Yield has grown by 85%.
- European High Yield and Emerging Market Corporate High Yield have both grown by about 250% and 275%, respectively.
- Over 35% of the Global High Yield market is now non-U.S.

Global High Yield provides benefits a U.S. High Yield mandate cannot:

- **U.S. High Yield has underperformed Global High Yield** in 8 of the last 12 years.
- European High Yield benefits from the ECB's CSPP program.

### Why Now?

Global High Yield, and especially U.S. High Yield, was **very** cheap at the beginning of the year. Spreads have tightened but:

- **“Search for yield”** – The search continues. Witness the retail inflows.
- **Spreads are at historic averages** but can tighten further..
- **Default Risk** – Defaults are rising but we anticipate two-thirds or more of defaults will be in the Energy and Metals & Mining sectors.

### Why Amundi Smith Breeden (ASB)?

- We utilize a consistent value-driven investment approach that focuses on security selection and sector rotation.
- ASB has a history of performance that illustrates the benefits of our investment process (selection) and portfolio management flexibility (allocation).

As of September 30, 2016.

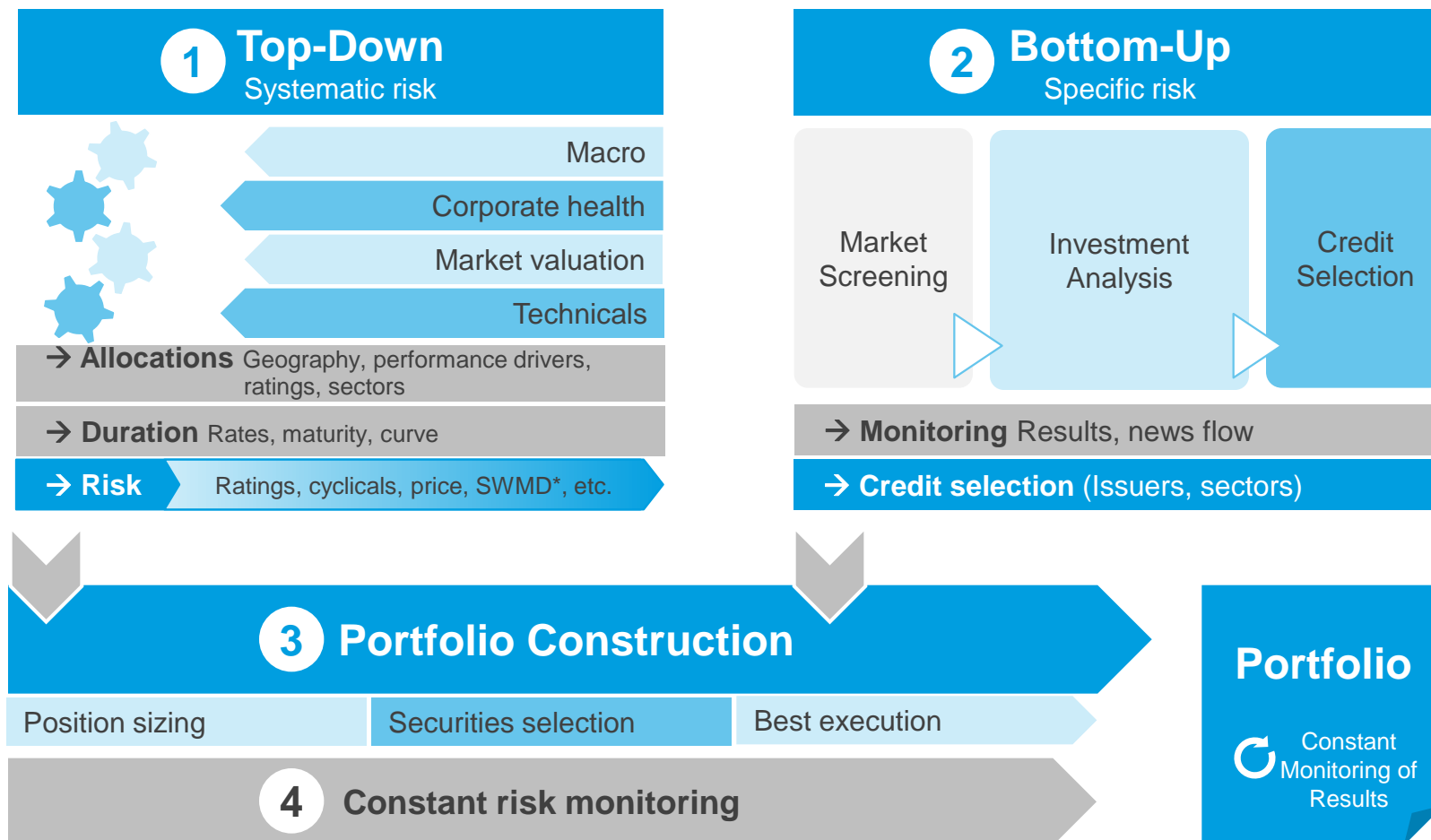
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## Investment Philosophy, Approach and Process

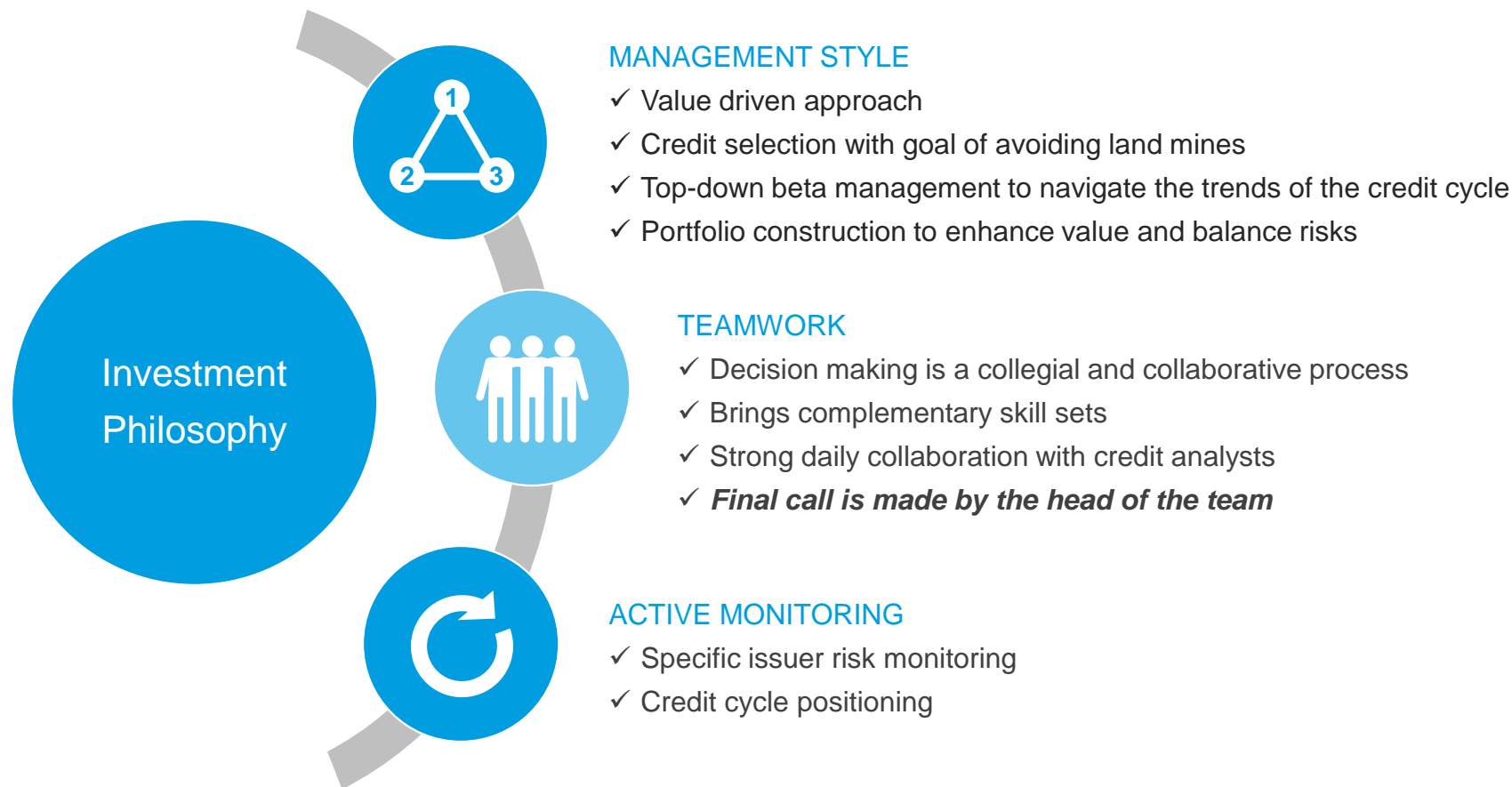
## High Yield Investment Process Overview



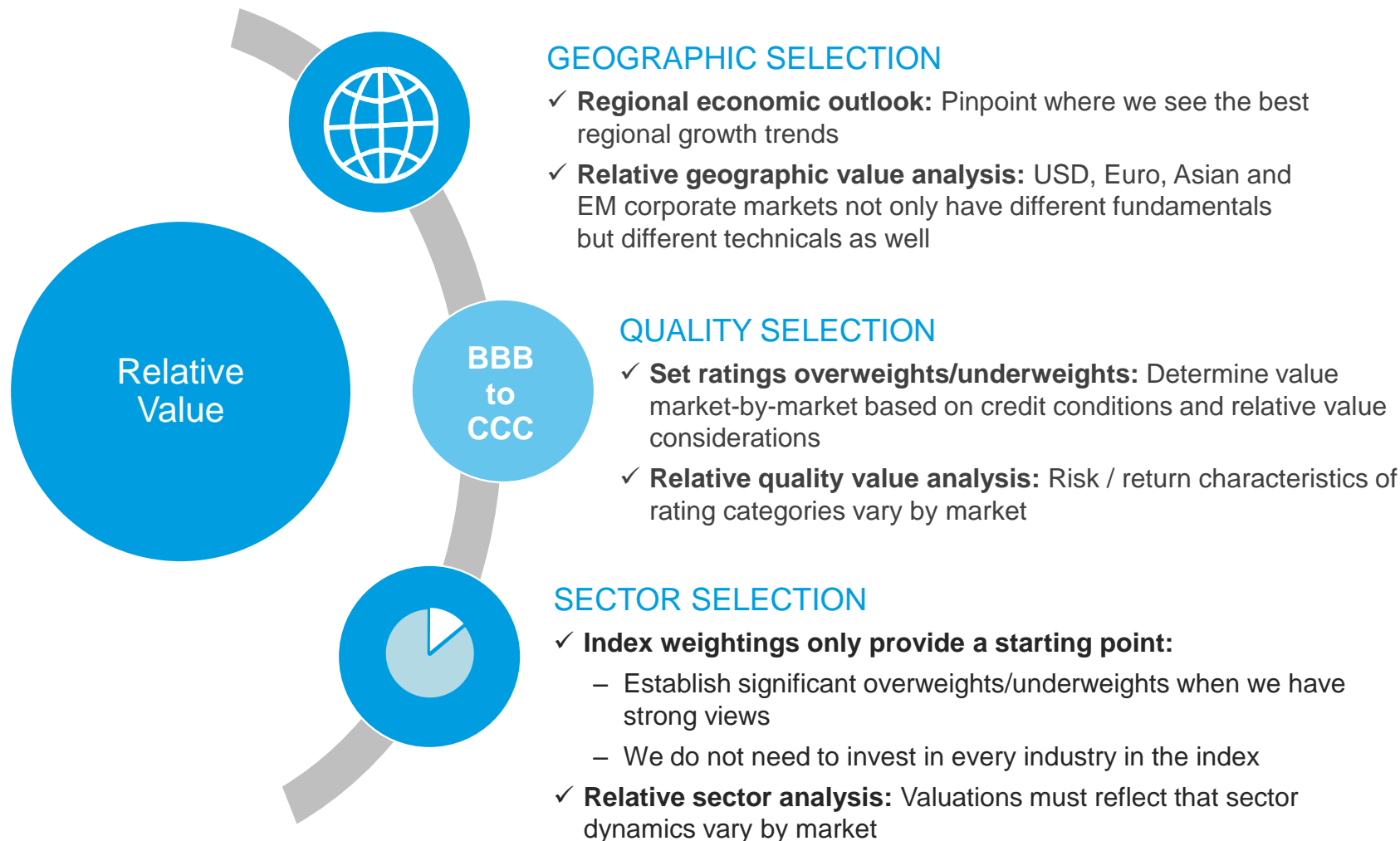
\*SWMD: Spread Weighted Modified Duration

## Good things happen to good companies

Philosophy aims to avoid defaults and to maximize returns throughout the cycles



## The search for relative value



## Leveraging Worldwide Resources

### Global High Yield Portfolio Management Team

Ken Monaghan – Lead Portfolio Manager

Jon Duensing – Portfolio Manager

### Euro High Yield Portfolio Management

Marina Cohen – Lead PM  
Thierry Lebaupain – PM  
Jean-Luc Thomas – PM  
Sebastien Ploton – PM

### U.S. Credit Research

Jeff Galloway  
Tim Cassidy  
Bishop Jordan  
Scott Barnard  
Soulaïma Messaoudi

### Euro High Yield Research

Hien de Lestrangé – Head of  
Euro High Yield Research  
Victoire Dubrujeaud  
Yves Haussman  
Arthur Lefebvre  
Nathalie Schneider

### Emerging Markets Credit Research

Pol-Louis Martin  
Sophie Dedise

### Emerging Markets Debt Portfolio Managers

Sergei Strigo – PM  
Maxim Vydrine, CFA – PM

### Global Investment Grade/Crossover Credit Research

**Richard Butler – Global Head of Credit Research**

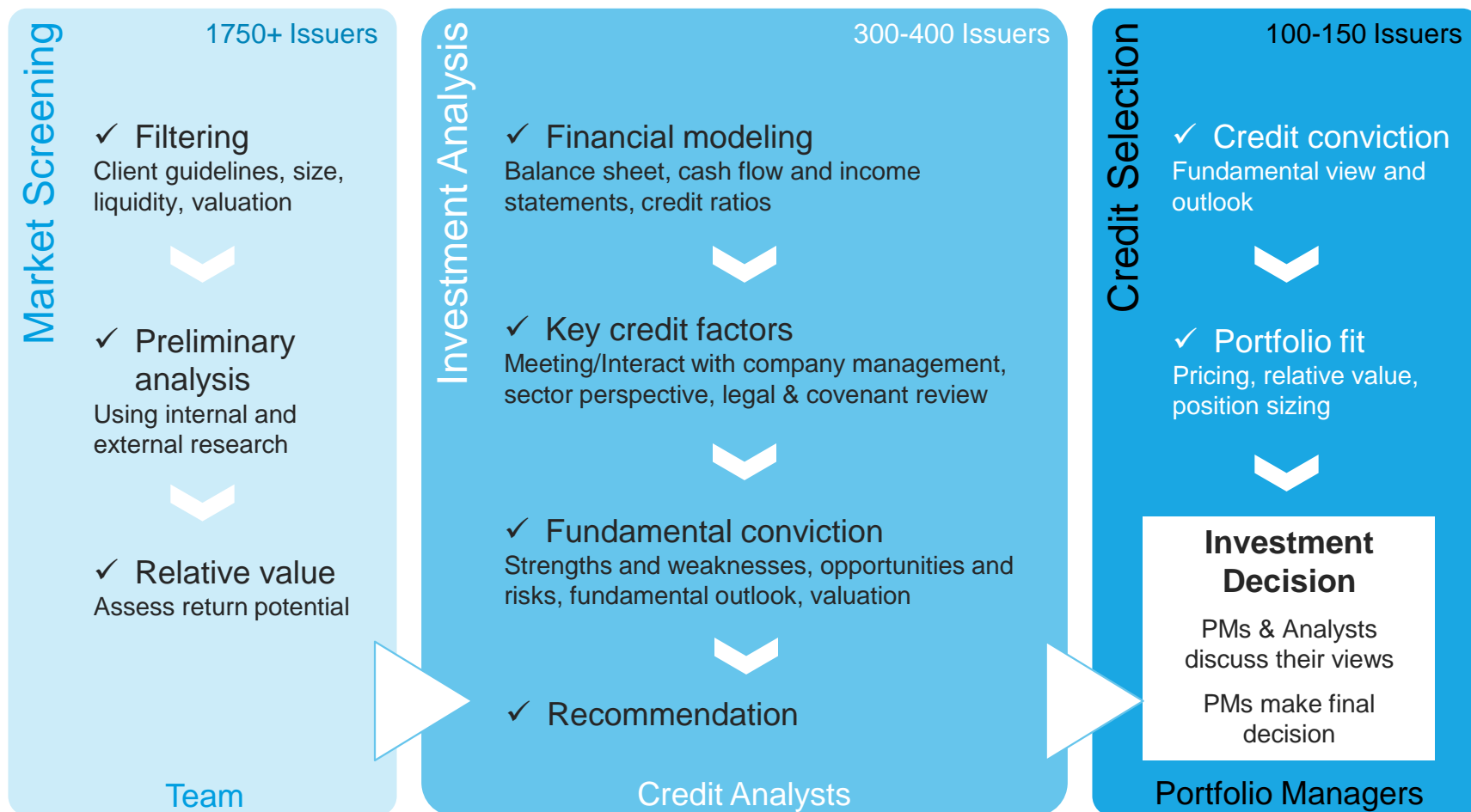
Ghislaine Orsinet, Amine Amar-Khodja, Etienne Margueritat, Arnaud Mouysset – Corporates

Nadine Abaza, Stéphane Herndl, Dung Anh Pham – Financials

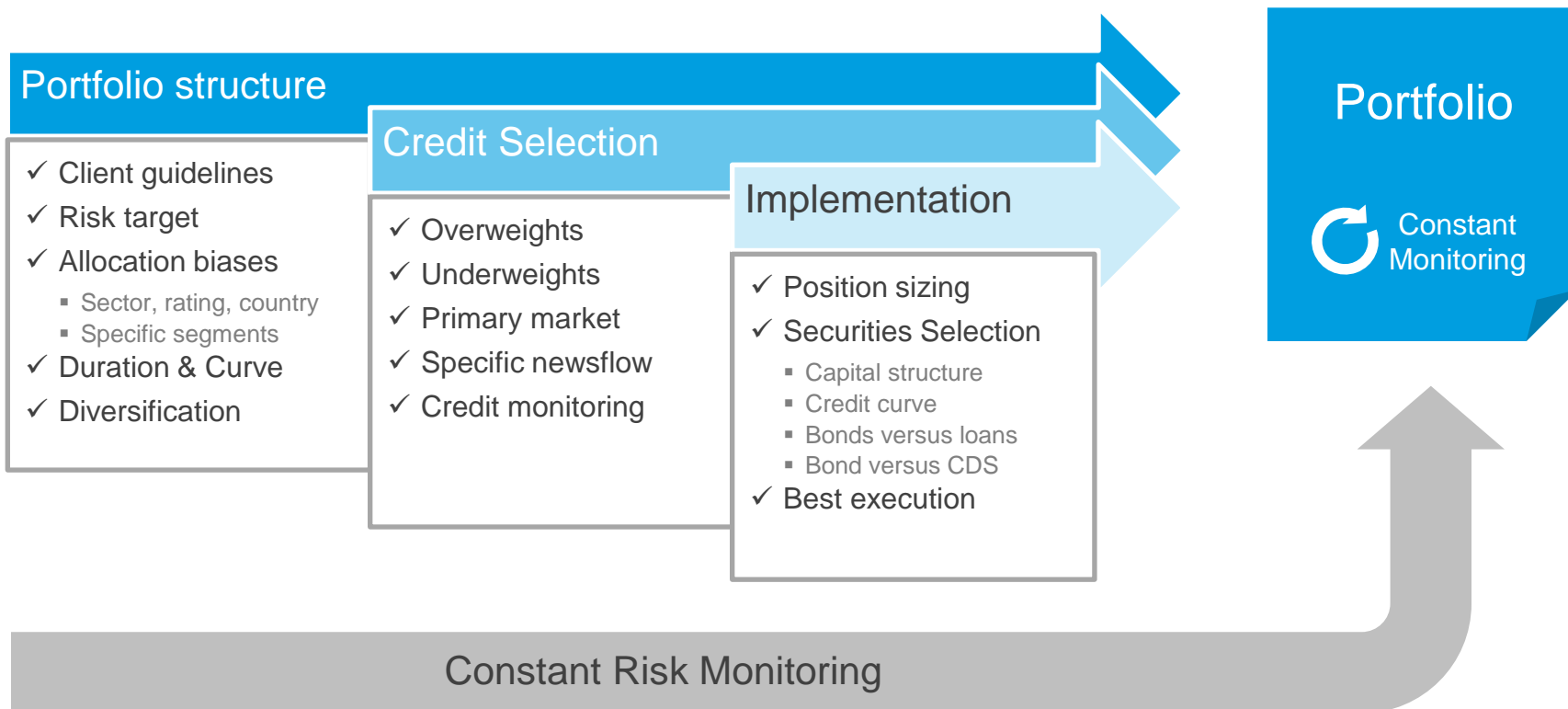
Lai Ly, Wai-Mei Chan, Jocelyn Chiang, Li Seng H'gn – Asia Corporates

Takahiro Omura – Japan Corporates

## 2 Bottom-Up Process



### 3 Portfolio Construction



## 4 Multi-dimensional framework for managing risk



### ► INDEPENDENT LEVELS OF CONTROL

- Risk management
- Compliance

### ► DAILY RISK MONITORING

- Investment Management
  - Direct oversight
  - Proprietary portfolio management tools
- Risk Management
  - Independent Chief Risk Officer
  - Portfolio override authority
  - Daily risk monitoring and stress testing
  - Counterparty risk management
  - Qualitative oversight
  - Limits set at the account level
- Compliance
  - Compliance with Client Guidelines
  - Facilitate creation of policies and procedures
  - Test, identify and escalate, if necessary
  - Monitor trade-related compliance issues
  - Valuation practices and procedures

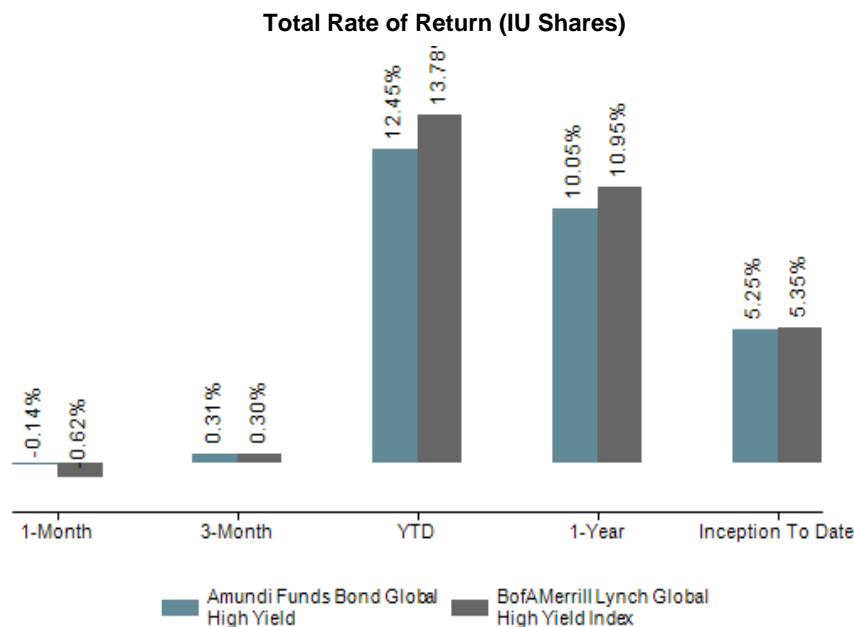


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Fund Composition and  
Performance

## Amundi Funds Bond Global High Yield - Executive Summary

Market Value: \$75,229,622.00



Returns are annualized for periods greater than one year.

### CHARACTERISTICS

	PORTFOLIO	BENCHMARK
Yield To Maturity	6.10%	6.19%
Duration	3.86%	3.92%
Quality	B1/B2	Ba3/B1
SECTOR WEIGHTS		
Financial	10.9%	13.6%
Utility	1.7%	3.6%
Industrials	81.8%	82.6%
Cash & Equivalents	14.7%	-
<b>Total</b>	<b>109.4%</b>	<b>100.0%</b>

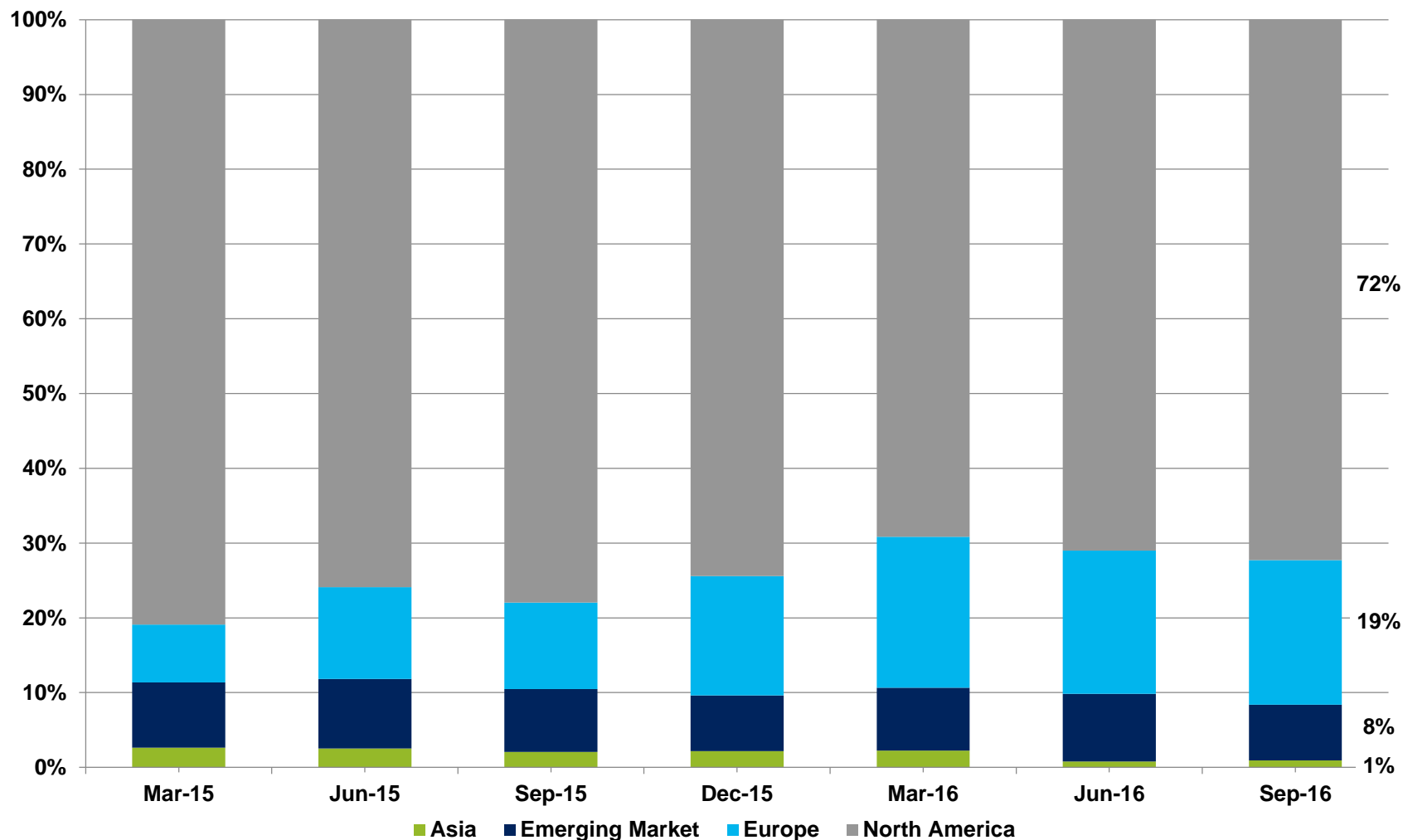
Benchmark: BofA Merrill Lynch Global High Yield Index

Exposures are expressed as a percentage of notional market value, including credit derivatives and excluding futures.

As of November 30, 2016.

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## Amundi Funds Bond Global High Yield Historical Geographic Breakdown as of September 30, 2016



Breakdown: Emerging Market(Argentina, Brazil, Mexico, South Africa), Europe(Britain, France, Germany, Greece, Italy, Ireland, Luxembourg, Sweden), Asia(Australia, South Korea), and North America(United States and Canada). Exposures are expressed as a percentage of portfolio market value. All information is provided for informational purposes only and should not be deemed as a recommendation to buy or sell securities. Amundi Smith Breeden cannot guarantee the success of the investment strategy. No assurance can be made that profits will be achieved or that substantial losses will not be incurred. All investments involve risk including the loss of principal. Amundi Funds are not registered for sale in the US and this document is not an offer for sale of funds to US persons.

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## Appendix

## Investor Information

### Amundi Funds Bond Global High Yield

Lead Portfolio Manager	Kenneth J. Monaghan	<b>Share Class</b>	<b>ISIN Code</b>
Launch Date	February 10, 2015	AU(C)	LU1162499369
Size	\$75M	IU(C)	LU1162498718
Benchmark	Bank of America Merrill Lynch Global High Yield Index	IHE(C)	LU1162498981
		OU(C)	LU1162499286
<u>Annualized Returns:</u>		FHE(C)	LU1162500042
ITD (IU) Return	5.25%	FHE(MD)	LU1250883417
Benchmark Return	5.35%	FU(C)	LU1399295606
		SHE(C)	LU1162499872
		SHE(MD)	LU1250883334
		SU(C)	LU1162499799

As of November 30, 2016.

Past performance is not indicative of future results.

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## Amundi Funds Bond Global High Yield Portfolio Management Team

- Amundi Smith Breeden's investment team includes 23 professionals
- The team is supported by Amundi's strong in-house research teams based in Paris, London and Singapore.



■ **Kenneth J. Monaghan**

**Head of Global High Yield  
Portfolio Manager of Amundi Funds Bond Global High Yield**

- 2 year at Amundi Smith Breeden
- 35 years total industry experience

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# Amundi Smith Breeden

ASSET MANAGEMENT

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