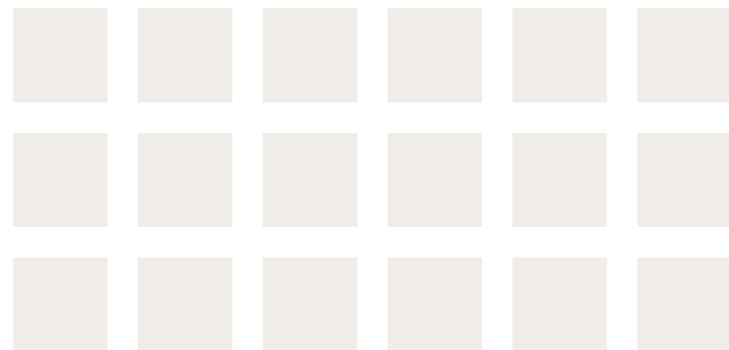




Emerging Market Debt & Currency

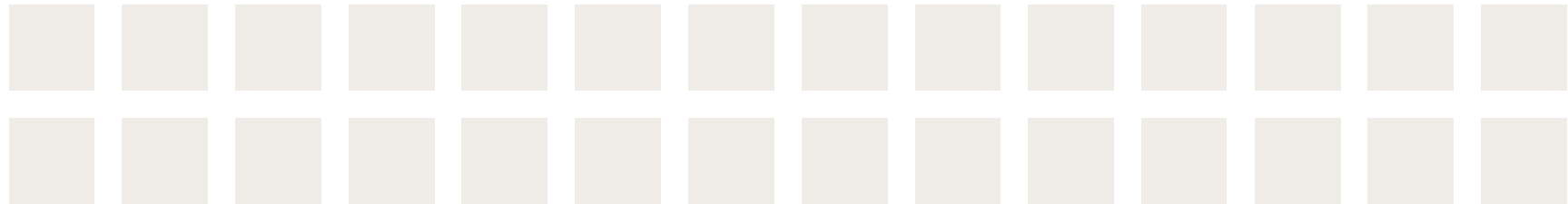
Management Expertise



Amundi London Branch

November 2016

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- 1. Our Edge in EM Debt**
2. Amundi Group / Amundi London EMD resources
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## Our Edge in EM Debt

### ■ Global EM debt & FX expertise

- Expertise in emerging External, Local, Sovereign and Corporate debt and FX
- Reflected in a product range of “pure” strategies (External, Local and Corporate) and an allocation fund
- Strong performance, high conviction, ambitious targets

### ■ Top-down value approach

- Flexible and active style
- Alpha creation through proactive market risk management & bottom up selection
- Strong Focus on liquidity and drawdown management

### ■ Proven track record, stability & resources

- Managing EM debt and FX since 1999
- Experienced team and global resources
- Embedded within the Global Fixed Income platform
- Strong and consistent outperformance:
  - 5 Stars Morningstar for Hard Currency<sup>1</sup>
  - 4 Stars Morningstar for Corporate and Blended
  - Gross annualized excess returns from 0.7% to 3.1% since 31/12/2009<sup>2</sup> for the HC, LC and blended strategies
  - Gross annualized excess return of 1.4% for the Corporate strategy since inception in March 2011



1. Based on 3&5 year track record, as at September 2016-end for the IE share class of the fund

2. Date of the appointment of Sergei Strigo as Head of Emerging Market Debt

Past performance is not indicative of future results

## EMD Offering – Global EMD Platform Assets \$6.9 bn<sup>1</sup>

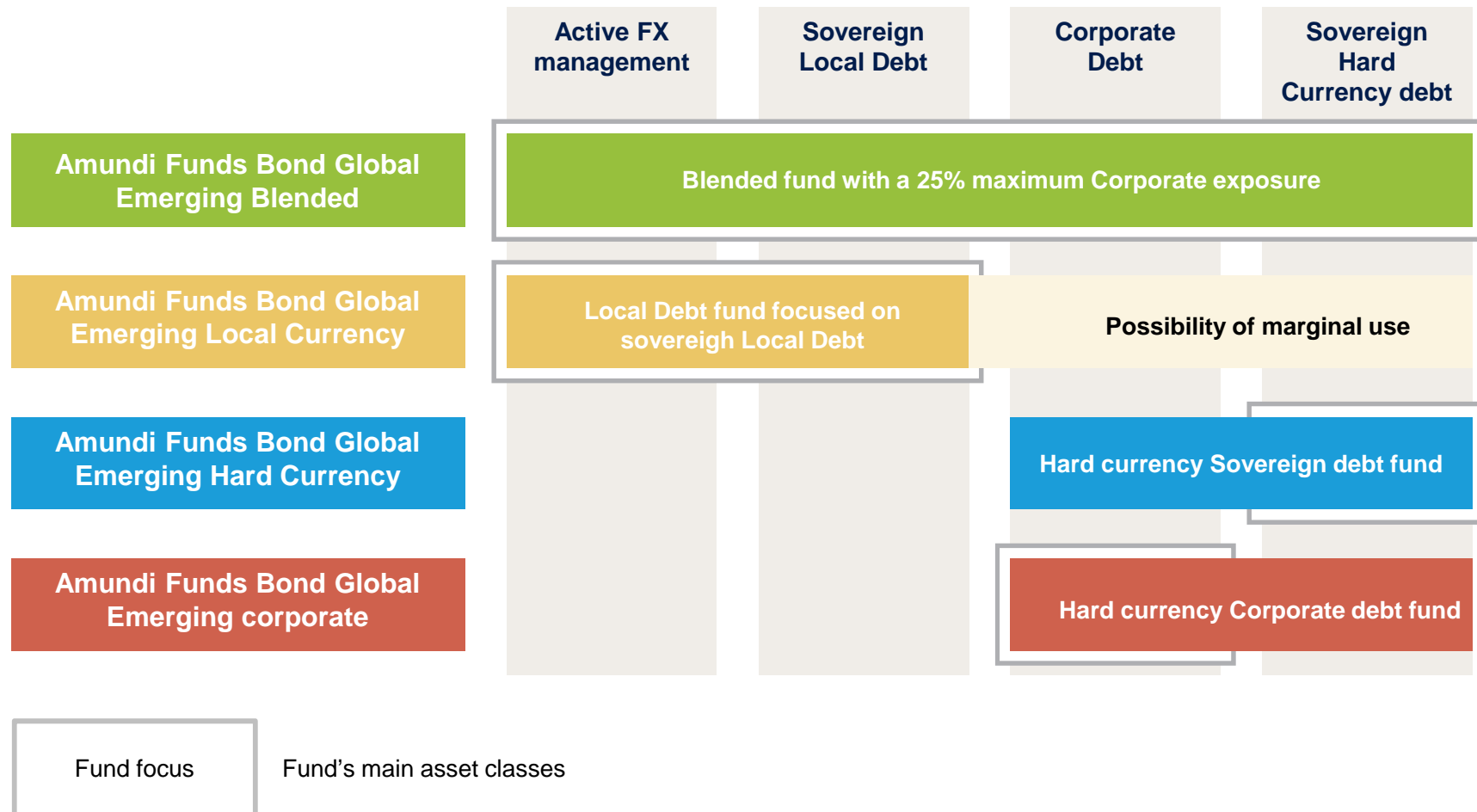
	Open-ended Funds				Mandate and Sub-Delegations	
Investment Universe	External Debt	Local debt	Blended	Corporate external debt	EM Blended	EM Sub Funds
Portfolio	Amundi Funds Bond Global Emerging Hard Currency	Amundi Funds Bond Global Emerging Local Currency	Amundi Funds Bond Global Emerging Blended	Amundi Fund Bond Global Emerging Corporate	Canadian Distributor	Other mandates and/or EMD pockets (7 portfolio)
AUM as of 30 <sup>th</sup> September 2016	EUR 699m	USD 294m	EUR 541m	USD 298m	CAD 186m	USD 767m
Benchmark	100% JPM EMBI Global Diversified (hedged in EUR)	100% JPM GBI EM Global Diversified **	50% JP Morgan ELMI Plus (unhedged) & 50% JPM EMBI Global Diversified (hedged in Euro)	100% JPM CEMBI Broad Diversified	50% JP Morgan GBI EM Global Diversified & 50% JPM EMBI Global Diversified	Various Customized Benchmarks
Max TE (ex-ante)	5% p.a.	5% p.a.	8% p.a.	5% p.a.	NA	NA
Currency	EUR	USD	EUR	USD	CAD	USD
Gross Information Ratio*	0.77	0.21	0.93	0.67 (since 14/03/11)	1.27 (since 08/11/10)	NA
Gross Annualized Relative Perf*	2.47%	0.67%	3.09%	1.44% (since 14/03/11)	2.27% (since 08/11/10)	

1. London based open-ended funds, mandates and direct holdings in other global fixed income products managed out of London plus \$2.5 bn managed out of Singapore/Kuala Lumpur as at June 2016-end. Source: Amundi London .

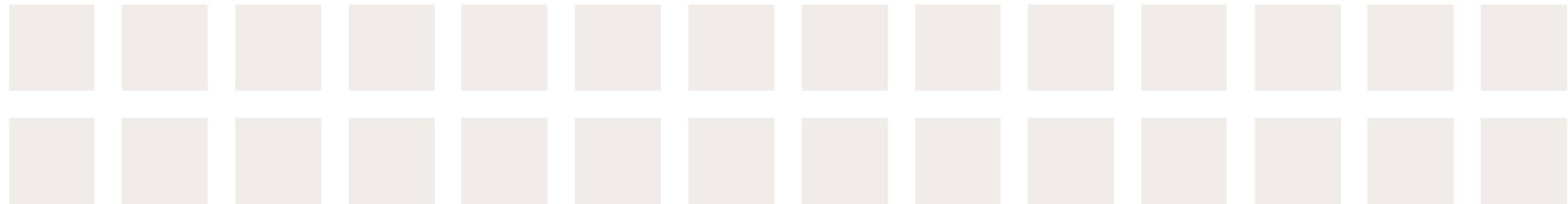
(\*): data from 31/12/2009 to 30/09/2016.

(\*\*): Reference indicator until 1st of December 2010: JPM EMBI Global Diversified ;since 1st December 2010: JPM GBI-EM Global Diversified unhedged in USD (EM local debt)  
 Past performance is not indicative of future results

## EMD open-ended funds range: EM investment universe coverage



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## Compact organization leveraging on comprehensive resources

**EMD Assets: EUR 31 bn<sup>2</sup>**

**Total Fixed Income EUR 522 bn<sup>1</sup>**  
**Amundi Group EUR 1'004 bn<sup>1</sup>**

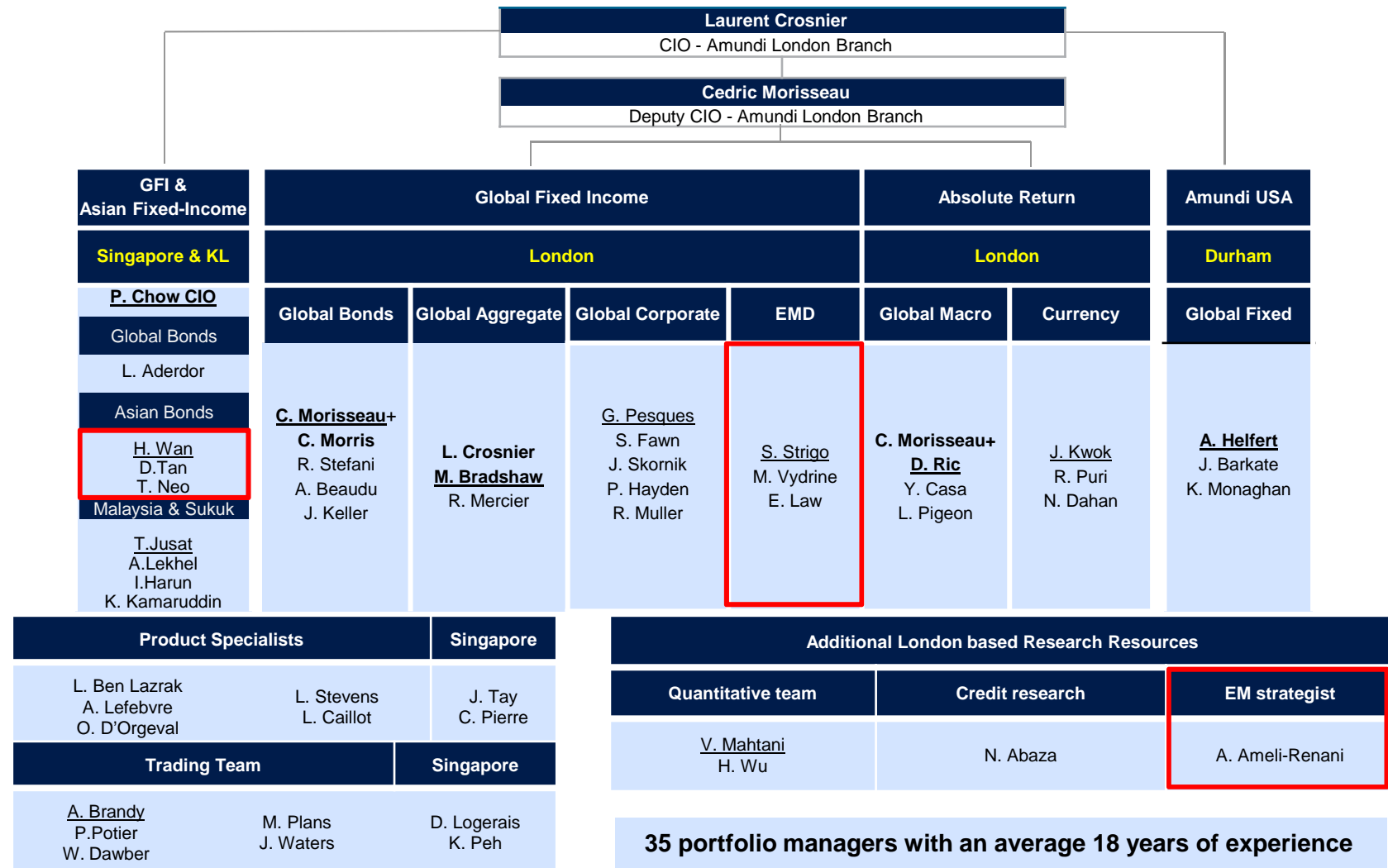


- Experienced and Stable team
- Complementary backgrounds
- Pillar of the Global Fixed Income team
- Group commitment

1. Amundi Group figures as at 30 June 2016

2. Amundi, EMD Assets, as of 30 March 2016 (or US\$34 bn), including assets managed out of Asian joint-ventures

## Global Fixed Income Investment Team



Members of GFI investment committee in **bold**  
+Member of more than one team

Source: Amundi as of October 2016



## Global EM Debt Platform – 21 Investment Professionals

### London Global EM Debt Portfolio Managers

• **Head of EM Debt**

- Years in the industry: 16
- Joined Amundi in 2004

• Areas of expertise: FX, EM Sovereign and Corporate debt, rates and derivatives

- MSc in International Accounting and Finance, London School of Economics and Political Science
- B.A. in Administrative and Commercial Studies, University of Western Ontario (Canada)

**Sergei  
Strigo**



• **Senior EM Debt Fund Manager**

- Years in the industry: 12
- Joined Amundi in 2007

• Areas of expertise: EM Corporate and Sovereign Debt

- MSc in International Finance, Middlesex University Business School (UK)
- B.A. in Economics, Nishny Novgorod State University (Russia)

**Maxim  
Vydrine, CFA**



• **EM Debt and Currencies Fund Manager**

- Years in the industry: 17
- Joined Amundi in 2014

• Areas of expertise: FX, EM Sovereign, rates and derivatives

- MSc in Mathematical Trading and Finance, Cass Business School, City University London (UK)
- BSc in Economics, London School of Economics and Political Science

**Esther  
Law**



### Asian Debt portfolio Managers

• **Head of Asia FI (Singapore)**

- Years in the industry: 12
- Joined Amundi in 2016

**Howe Chung  
Wan**



• **Asia Bond Manager (Singapore)**

- Years in the industry: 9
- Joined Amundi in 2012

**Daniel  
Tan**



• **Treasury Manager (Singapore)**

- Years in the industry: 8
- Joined Amundi in 2012

**Terry  
Neo**



## 21 investment professionals in LDN/PAR/SG/KL/HK

### EM Credit Analysts

• EM Credit Analyst (Paris)  
• Years in the industry: 13

Pol-Louis  
Martin

• Head Credit Research Asia  
(Singapore)  
• Years in the industry: 17

Ly  
Lai

• Asia Credit Analyst  
(Singapore)  
• Years in the industry: 7

Wai-Mei  
Chan, CFA

• EM Credit Analyst (Paris)  
• Years in the industry: 11

Sophie  
Dedise

• Asia Credit Analyst (KL)  
• Years in the industry: 10  
• Years in the industry: 5

Jocelyn  
Chiang

• Asia Credit Analyst (KL)  
• Years in the industry: 8

Li-Seng  
Hng

**+ Global Sector Research – 12 Analysts**

### EM Sovereign Analysts

• EM Global Strategist  
(London)  
• Years in the industry: 5

Abbas  
Ameli-Renani, CFA

• EM Economist (Paris)  
• Years in the industry: 14

Karine  
Herve

• EM Sovereign Analyst  
(Paris)  
• Years in the industry: 20

Sosi  
Vartanesyan

• EM Asia Chief Economist  
(Hong Kong)  
• Years in the industry: 6

Ji  
Mo

### Dealing

• Head of Dealing Desk  
(London)  
• Years in the industry: 18

Aurelie  
Brandy

• EM Credit Dealer (London)  
• Years in the industry: 10

Marc  
Plans

• EM Credit Dealer (London)  
• Years in the industry: 13

William  
Dawber

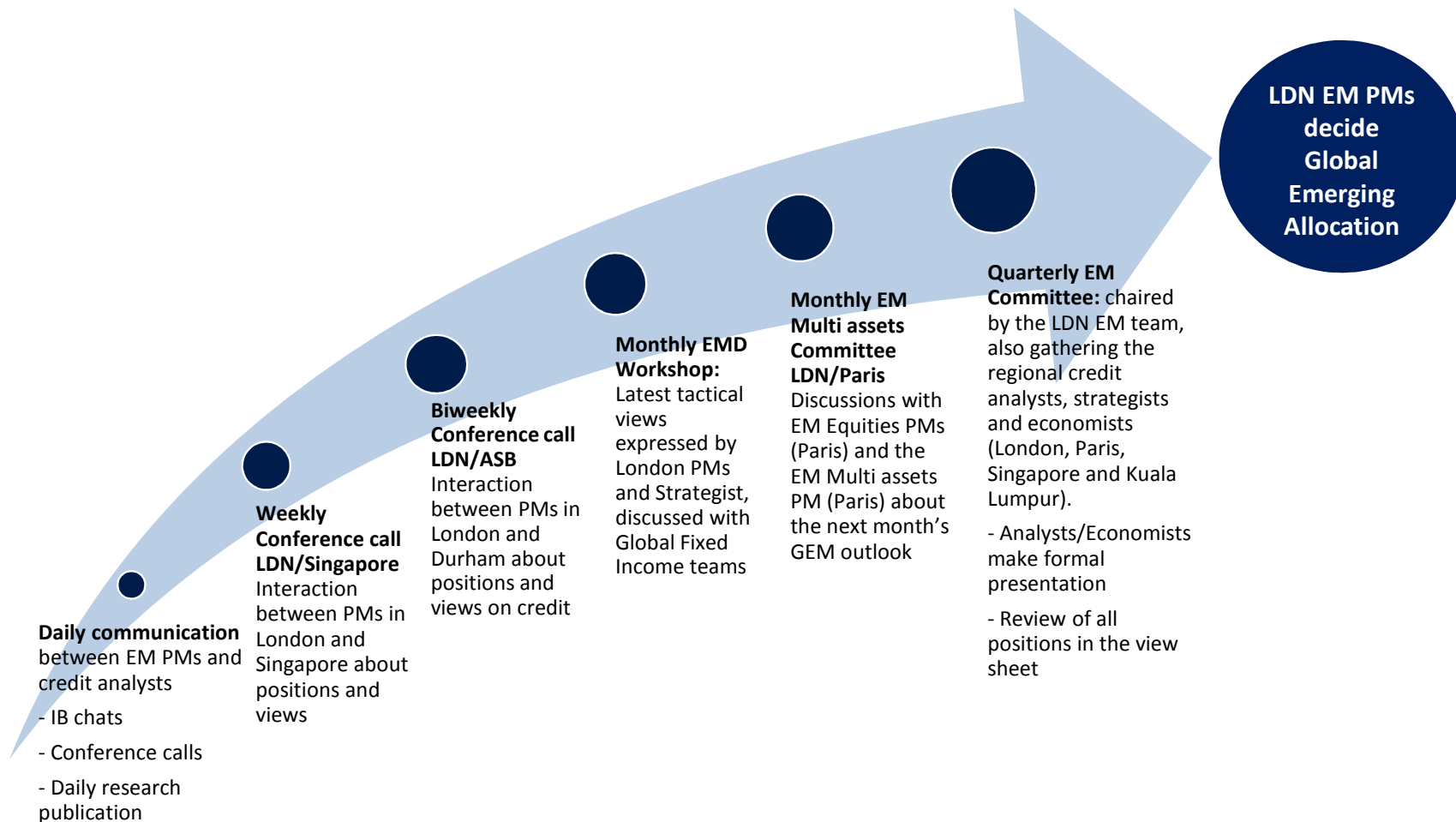
• Head of Dealing Desk  
(Singapore)  
• Years in the industry: 18

David  
Logerais

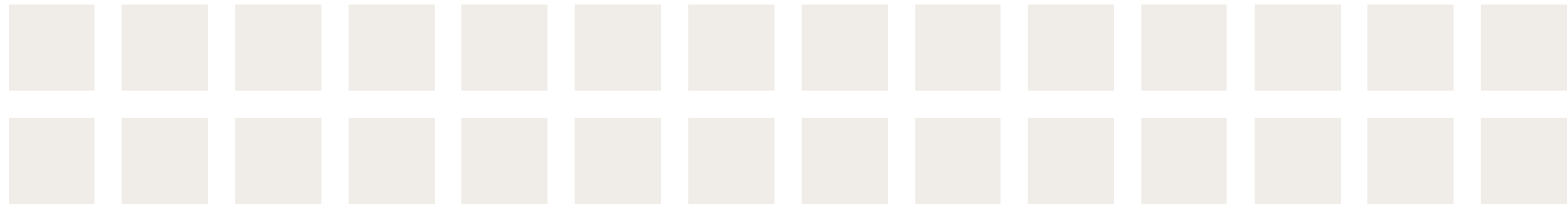
• Asia FI Dealer (Singapore)  
• Years in the industry: 7

Ken  
Peh

## Interaction within the Amundi EMD Global Platform



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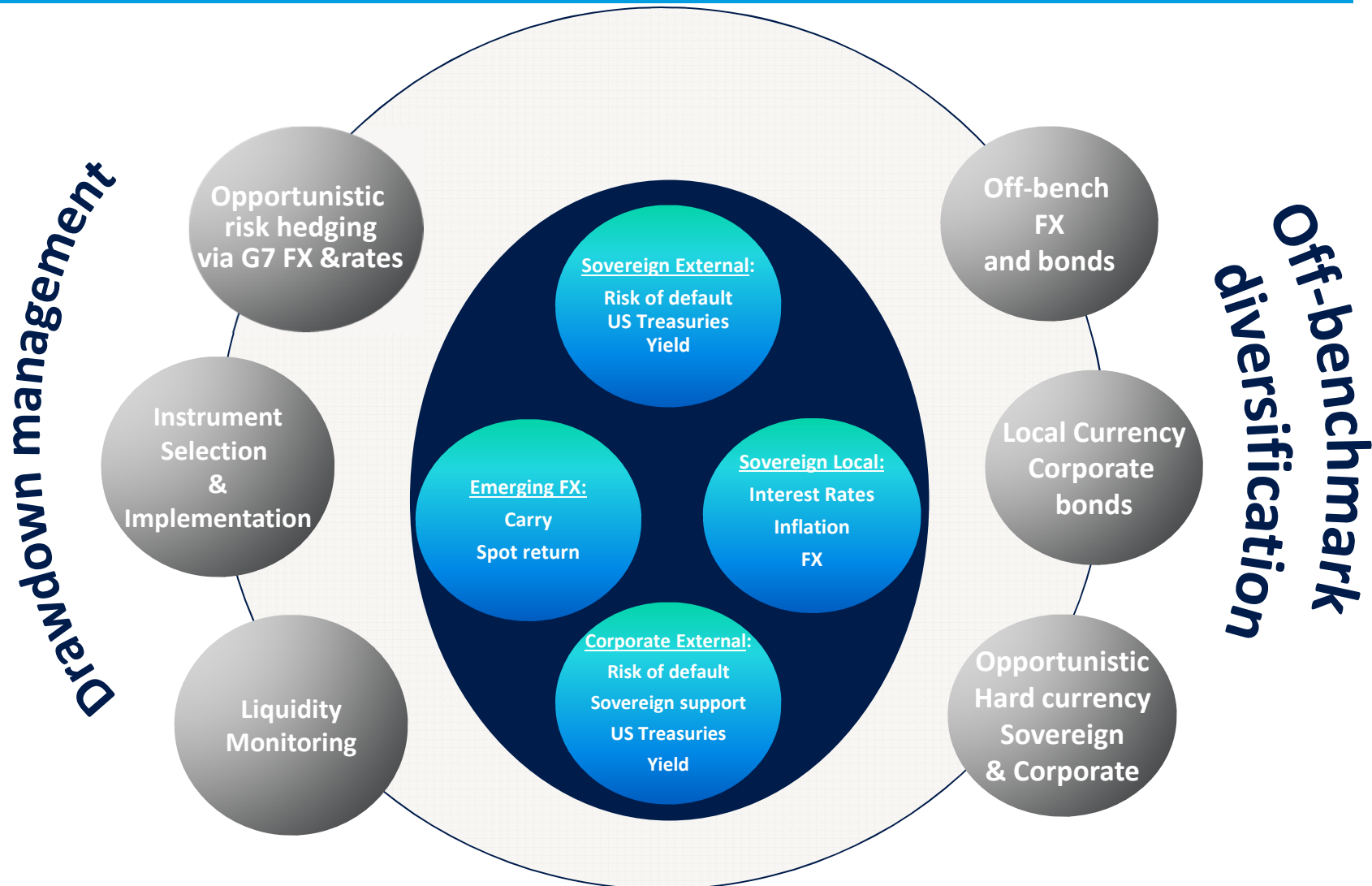
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## Investment philosophy

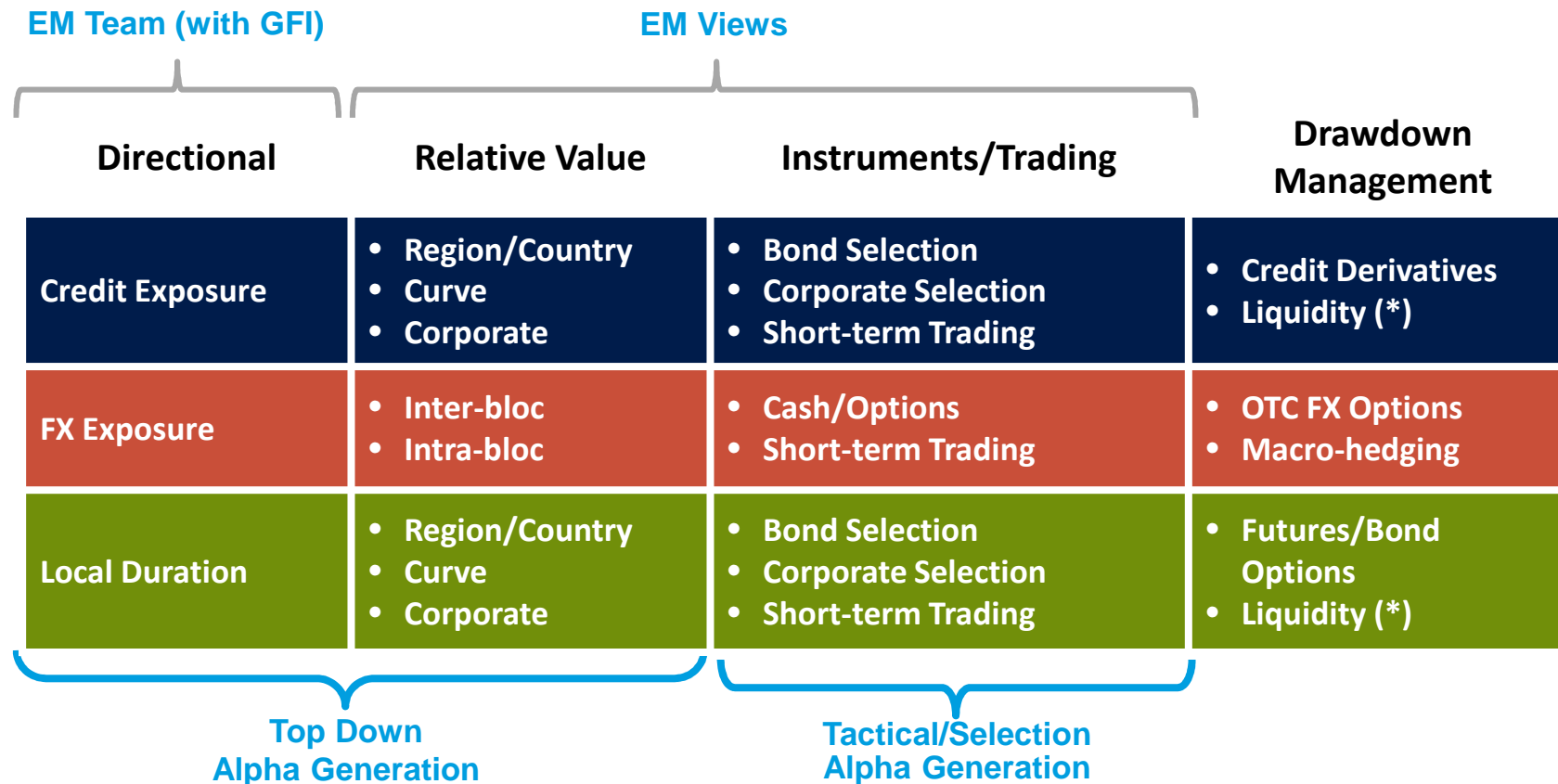
### We are active value Emerging Market managers

- Long-term value approach focusing on divergence between fundamentals & market prices
- Combination of top down and bottom up approaches
- Active management to account for new EM environment and need for flexible approach
- Judgement-driven We use quantitative tools, but manager's judgement is the key
- Risk allocation process taking into account contribution to active risk
- Consistent investment process

## Investment universe: Off-benchmark diversification



## Overview: Top down Investment Process & Alpha Generation



## Scaling-up our Views into Investment Positions

Strategies discussed during the quarterly EM committee and/or when market conditions dictate

### 1. Fundamentals (++)

- Positive factors
- Negative factors

### 2. Technicals (-)

- Valuation (-)
- Positioning (-)

Exposure + (OW)

Example

	--	-	=	+	++	
	Strong UW	Underweight	Neutral	OW	Strong OW	
Ext Debt	No exposure	-2 to -5%	-1 to +1%	+2 to +5%	5 to 10%	Ext Debt
Local Debt	No exposure	-20/-10bp	Flat	+10/+20bp	+20/+80bp	Local Debt*
Corporates	No exposure	-2 to 0.5%	-0.5 to +0.5%	+0.5 to 2%	+2 to 5% (**)	Corporates
FX	-10 to -15%	-2 to -10%	-1 to +1%	+2 to +10%	+10 to +15%	FX

■ **Views/Credit recommendations** are translated into **risk budget exposure** vs. benchmark through:

- Tracking-Error budgeting per type of risk (credit, duration, FX if relevant)
- Relative Country Weights
- Relative Spread Weighted Modified Duration Exposure (region / country)
- Overall Duration Exposure (including yield curve segmentation)

■ **Overweights & Underweights** are implemented subject to:

- Specific client constraints (ex. customized benchmark, country exclusion list, rating constraints...)
- Portfolio's tracking error and liquidity conditions
- Our degree of conviction

Source: Amundi London

% assets vs. benchmarks/ (\*): bp vs. benchmark (max exp of 300bp)

(\*\*) 4% for a sub investment grade issuer



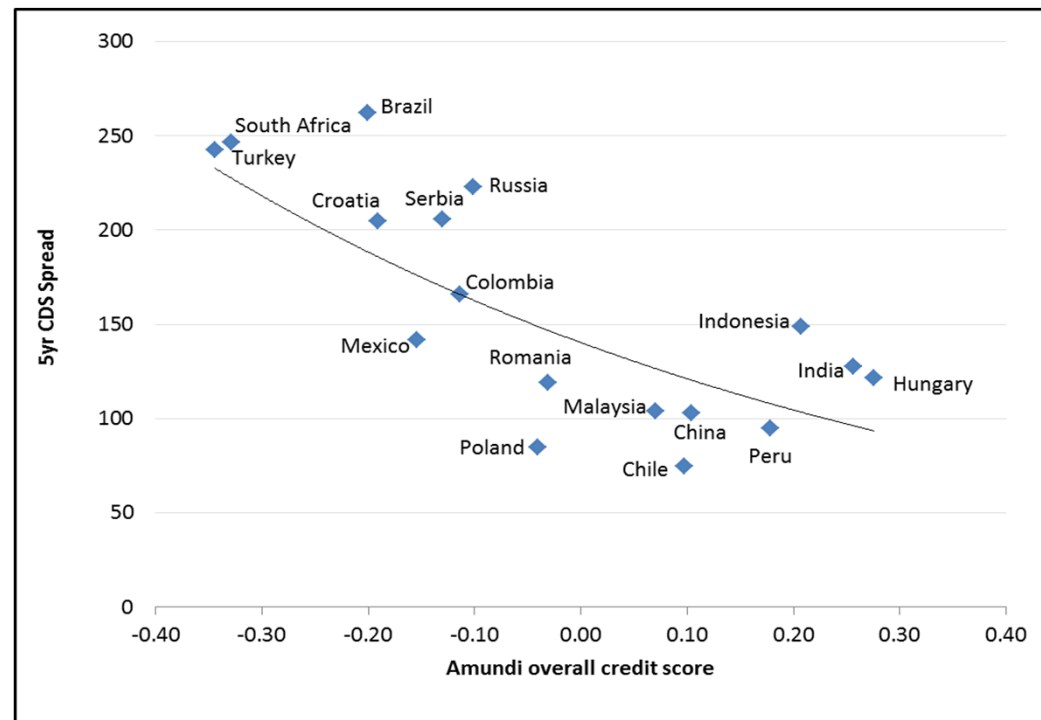
## How we look at Hard Currency: (i) Our in-house credit model

- We account for twenty variables across eight categories that we find important for EM risk premia
- The model accounts for current macro conditions, as well as forward looking expectations to capture trends and reversals
- Incorporates our qualitative views reflected in weights and political score which captures domestic and geopolitical factors, as well as credibility of key institutions
- We have illustrated normalised scores per factor per country below

	Growth		Monetary policy & inflation		Credit		Fiscals		Balance of payments		External vulnerability				Banking Sector			Other factors		
	GDP Growth, latest	GDP growth, 2016 vs. 2015	End-16 inflation vs. target	Real policy rates, current rate vs. end-16 inflation	Private sector credit, % GDP	Excess credit growth, %	Gross debt, % GDP	Primary balance, % GDP	Basic balance, % GDP	Expected change in C/A: end-16 vs. end-15	ST External debt (% of total)	%change in External debt/GDP vs. avg of 5yrs	foreign holding of local debt, %	Reserves, months of import cover	Loan to deposit ratio	Capital Adequacy Ratio	NPL Ratio, %	Governability indicators (average of 6 factors)	Political risk factor	Expected net issuance in 2016, USD bn
Brazil	-2.42	0.49	-1.67	2.46	0.18	-0.86	-1.25	-0.55	-0.31	2.57	1.11	-0.06	0.35	1.40	0.04	0.07	0.49	-0.64	-1.64	0.63
Chile	-0.25	-0.58	-0.37	-1.42	0.29	0.04	1.40	-1.33	-0.10	-0.76	0.51	-1.63	1.28	-0.51	-0.63	-1.25	0.72	1.84	0.84	-0.59
Colombia	-0.15	-1.00	-1.83	-1.08	0.93	-0.51	0.01	0.85	-1.30	1.13	0.77	-0.13	0.28	-0.11	-1.00	-0.26	0.56	-0.49	0.34	-1.71
Mexico	-0.09	-0.47	0.08	0.23	0.52	-1.61	-0.25	0.37	-0.56	-0.67	0.03	-0.20	-0.82	-0.78	-0.42	-0.43	0.54	-0.47	0.59	0.42
Peru	0.45	0.81	-0.58	-0.59	0.33	-0.78	1.14	-0.09	-0.87	0.59	0.79	-0.08	-0.95	1.74	0.19	-0.71	0.65	-0.47	0.34	0.15
Croatia	-0.06	0.27	1.20	-0.02	1.09	-0.63	-1.85	0.72	0.99	-1.52	-0.45	-0.60	1.35	-0.27	-0.46	1.99	-1.61	0.98	-0.40	-2.55
Hungary	-0.59	-0.79	0.97	-0.84	-0.93	2.28	-1.18	1.50	1.28	0.59	-1.70	1.19	0.04	-0.81	1.02	0.26	-1.44	1.17	0.84	0.76
Poland	0.02	-0.47	1.20	0.33	-0.40	0.68	-0.11	-0.14	0.15	0.23	-0.32	1.12	-0.87	-1.22	-0.46	0.05	-0.18	1.76	0.34	0.41
Romania	0.42	0.59	1.47	0.98	0.41	1.61	0.47	-0.38	-0.15	-0.80	-0.23	-1.31	0.30	-0.63	1.14	1.07	-1.18	0.66	0.34	-0.70
Serbia	0.18	-0.36	1.20	1.02	0.31	0.64	-1.37	0.68	-1.61	-0.58	1.61	1.27	0.80	-0.40	-0.38	1.34	-2.49	0.16	0.34	-1.51
Russia	-1.95	3.25	-0.86	0.81	0.63	0.87	1.46	-2.03	1.67	-1.66	0.94	0.19	-0.27	0.75	-0.39	-1.23	-0.30	-1.36	-0.65	0.62
Turkey	0.57	-0.26	-1.17	-1.45	-0.13	-0.95	0.89	0.89	-0.99	0.37	-2.15	-0.19	0.18	-0.76	-2.02	0.30	0.54	-0.25	-2.14	0.31
South Africa	-0.89	-1.00	-0.72	-0.66	-0.03	0.22	-0.09	0.55	-1.17	0.41	-0.69	0.46	-0.68	-0.76	-0.59	-0.70	0.52	0.09	-1.64	0.76
China	1.12	-0.36	0.19	0.50	-3.28	-0.94	0.13	-1.04	1.11	0.05	-0.66	-2.21	1.49	2.51	0.20	-0.94	0.84	-0.93	1.34	0.64
India	1.48	0.11	0.04	-0.18	0.03	0.81	-0.79	-1.09	0.01	0.55	0.70	0.22	1.21	0.15	1.79	-1.12	0.24	-1.06	1.34	0.68
Indonesia	0.60	0.18	0.29	0.79	0.53	0.02	1.03	-0.20	-0.32	0.23	0.47	-0.26	-1.24	0.09	-0.10	1.85	0.62	-1.05	0.34	0.19
Philippines	1.18	0.59	0.46	-0.29	0.66	-0.30	0.65	1.73	1.03	-0.80	0.34	1.41	1.14	0.11	2.15	-0.03	0.72	-0.88	-0.65	0.76
Malaysia	0.37	-1.00	0.09	-0.59	-1.14	-0.60	-0.29	-0.43	1.15	0.05	-1.08	0.80	-2.10	-0.52	-0.07	-0.27	0.76	0.91	0.10	0.76

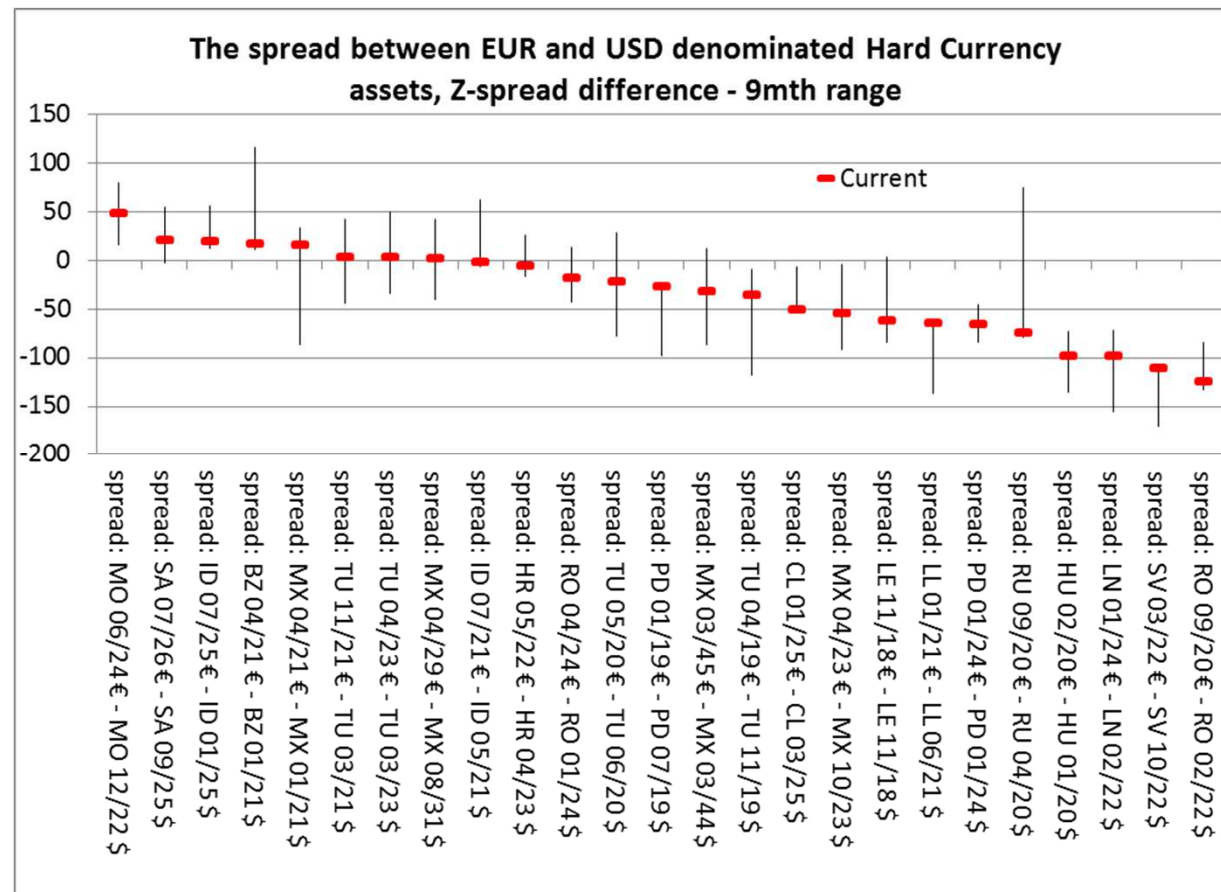
## How we look at Hard Currency: (ii) Our in-house credit model

- Deviations of current risk premia from our overall credit score provide us with an initial guide on how to be positioned
- Brazil, Russia, Indonesia & Hungary amongst cheap countries
- Poland and Chile very expensive



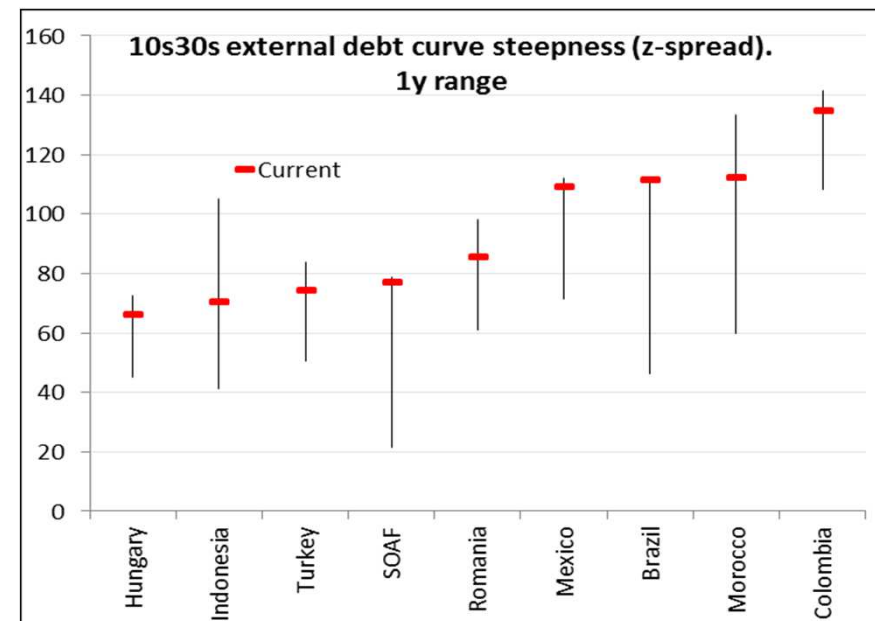
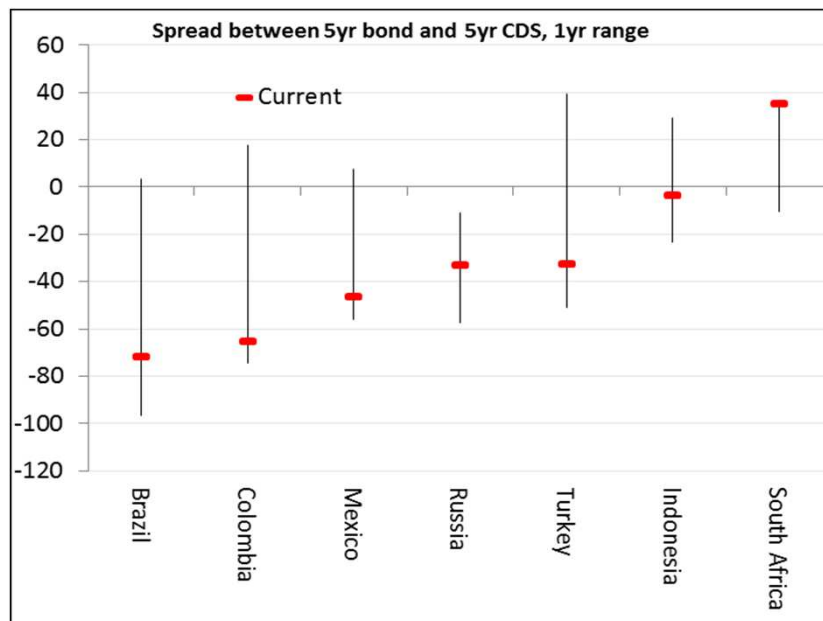
## How we look at Hard Currency: (iii) Comparing EUR and USD denominated debt

- We look at a comparison of EUR and USD-denominated EM debt to assess where the greatest value is.
- Our top EUR-denominated picks are Morocco EUR 24s and Indonesia EUR 25s



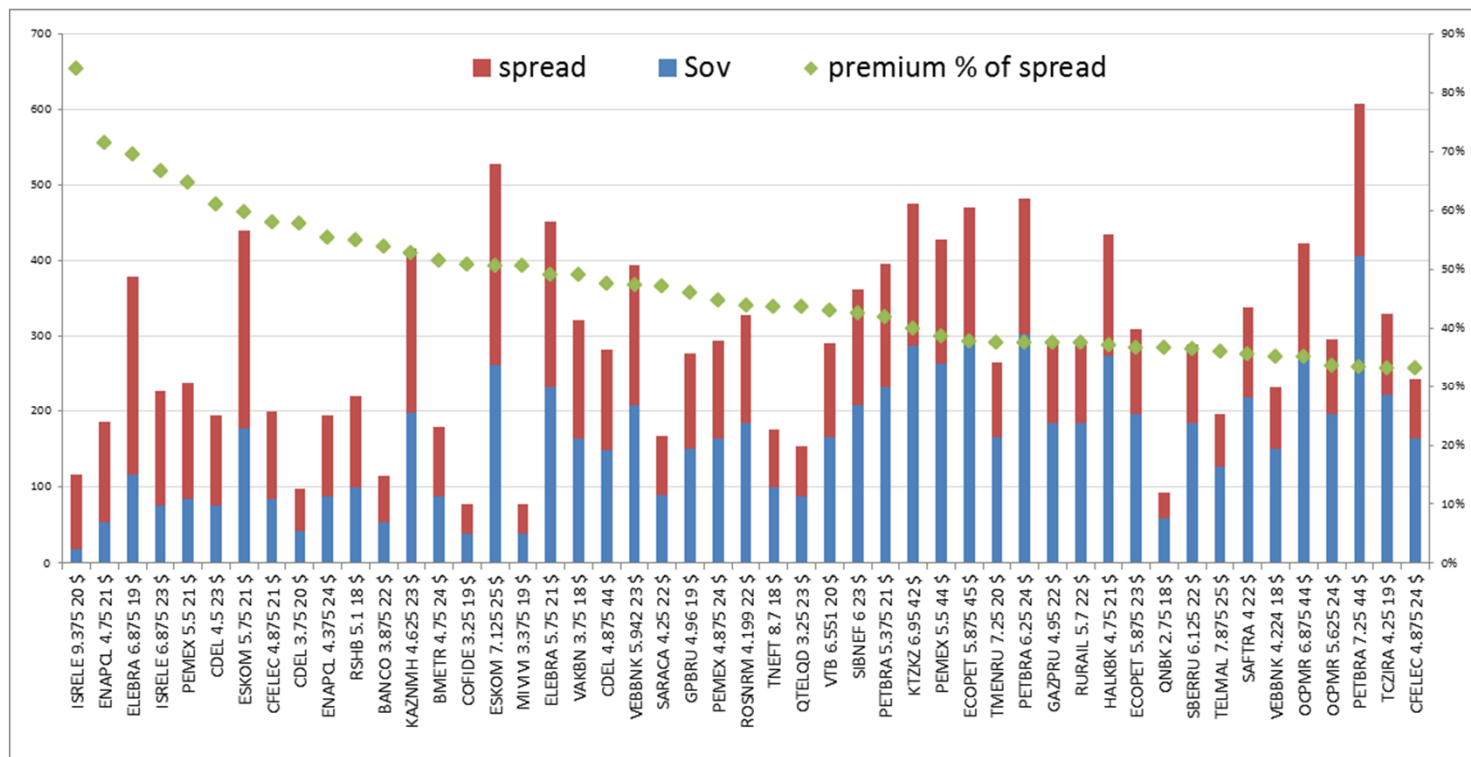
## How we look at Hard Currency: (iv) Instrument selection & curve positioning

- Once we have determined our view on a country, we look into instrument selection
- In particular we consider optimal curve positioning, as well as whether to express a view via bonds or CDS
- e.g. overweight long-end Colombia and Brazil



## How we look at Hard Currency: (v) Comparing Sovereign and Quasi

- Many EM quasi sovereigns enjoy guarantees from the sovereign, limiting their additional credit risk
  - But they offer additional yield, beyond what is justified by credit and liquidity risk
- We search the quasi-sovereign space as a way of augmenting returns
  - Examples include Brazil's Petrobras, Mexico's Pemex, South Africa's Eskom



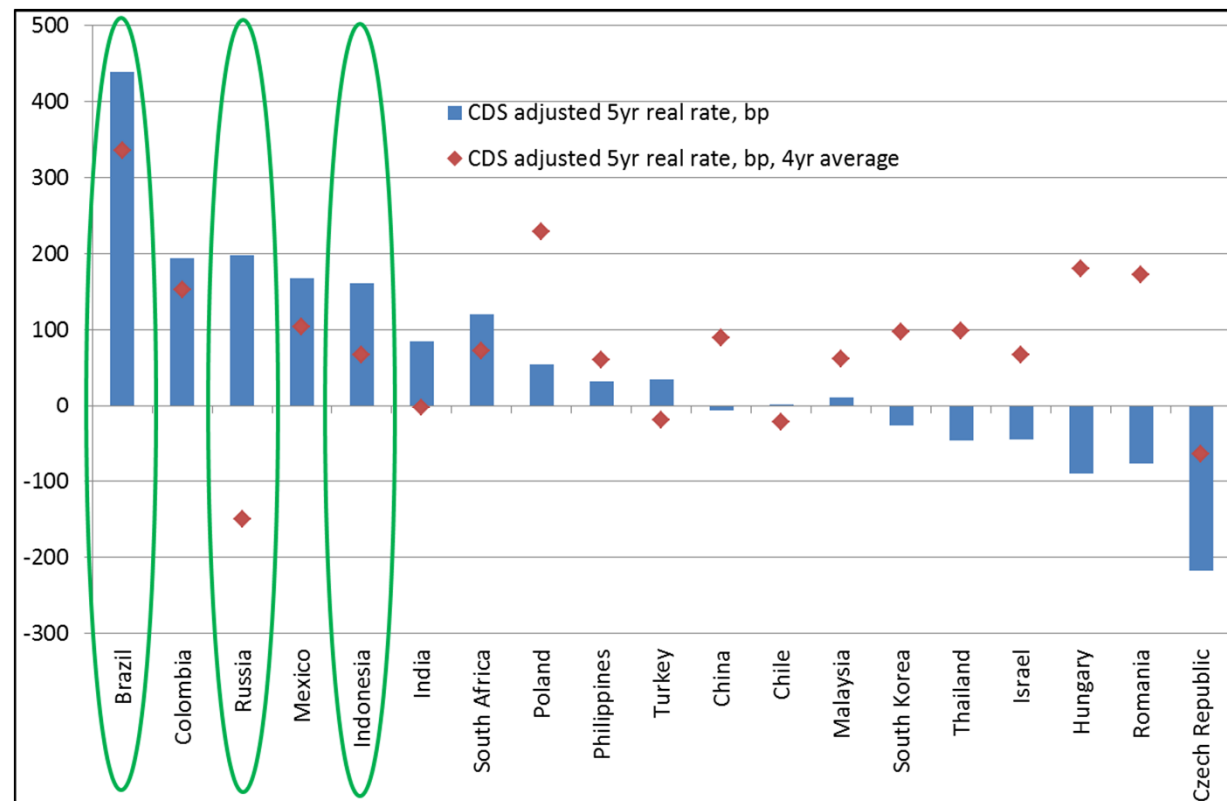
## How we look at Hard Currency: (v) The Quasi-Sovereign Monitor

### ■ Example from a segment of the Quasi-Sovereign monitor

Entity					Z-spread										Quasi vs Sovereign Spread										years to matur
Quasi	Sov	Quasi rating	Sov rating	100% sov-owned?	Quasi		Sov		spread	1m spread	premium	1y z-score	1y max	1y min	2y z-score	2y max	2y min								
					current	1m	current	1m																	
ESKOM 7.125 25 \$	SOAF 5.875 25 \$	BB+	BBB-	yes	528	-6	262	32	267	-38	50%	0.1	358	161	0.1	358	161	8.3							
ESKOM 5.75 21 \$	SOAF 5.5 20 \$	BB+	BBB-	yes	441	34	178	35	262	-1	60%	-0.8	686	143	-0.4	686	119	4.3							
ELEBRA 6.875 19 \$	BRAZIL 8.875 19 \$	BB-	BB	yes	378	22	116	29	262	-8	69%	-1.8	347	260	-1.8	347	260	2.8							
ELEBRA 5.75 21 \$	BRAZIL 4.875 21 \$	BB-	BB	yes	453	-33	231	28	221	-61	49%	-2.1	326	221	-2.1	326	221	5.0							
KAZNMH 4.625 23 \$	KAZAKS 3.875 24 \$	BB+	BBB-	yes	417	26	198	3	219	23	53%	-0.8	481	146	-0.4	481	60	6.6							
PETBRA 7.25 44 \$	BRAZIL 5 45 \$	B+	BB	no	608	-17	406	48	202	-64	33%	-2.3	284	197	-2.3	284	197	27.4							
KTZKZ 6.95 42 \$	KAZAKS 4.875 44 \$	BB+	BBB-	no	476	14	287	7	189	7	40%	1.4	207	130	1.4	207	130	25.7							
VEBBNK 5.942 23 \$	RUSSIA 4.875 23 \$	BB+	BB+	no	395	43	209	-2	186	46	47%	-0.3	407	118	-0.6	740	105	7.1							
PETBRA 6.25 24 \$	BRAZIL 8.875 24 \$	B+	BB	no	483	-49	302	30	180	-78	37%	-1.7	283	177	-1.7	283	177	7.4							
ECOPET 5.875 45 \$	COLOM 5 45 \$	BBB-	BBB	yes	471	-1	294	26	177	-26	38%	-0.7	226	145	-0.7	226	145	28.6							
PETBRA 5.375 21 \$	BRAZIL 4.875 21 \$	B+	BB	no	396	-26	231	28	165	-54	42%	-2.5	302	165	-2.5	302	165	4.3							
PEMEX 5.5 44 \$	MEX 4.75 44 \$	BBB	BBB+	yes	427	-16	263	23	164	-38	38%	-1.1	246	158	-1.1	246	158	27.7							
HALKBK 4.75 21 \$	TURKEY 5.625 21 \$	BB+	BB+	yes	435	44	275	7	160	37	37%	0.1	228	96	0.1	228	96	4.3							
VAKBN 3.75 18 \$	TURKEY 6.75 18 \$	BB+	BB+	yes	321	8	164	4	157	4	49%	-0.1	228	74	-0.1	228	74	1.5							
PEMEX 5.5 21 \$	MEX 3.5 21 \$	BBB	BBB+	yes	238	-20	84	14	154	-33	65%	-0.6	217	131	-0.6	217	131	4.2							
SIBNEF 6 23 \$	RUSSIA 4.875 23 \$	BB+	BB+	no	362	27	209	-2	153	29	42%	1.3	178	112	1.3	178	112	7.1							
ISRELE 6.875 23 \$	ISRAEL 3.15 23 \$	BBB-	A	yes	227	5	76	2	151	3	66%	-0.5	229	125	-1.0	251	125	6.6							
OCPMR 6.875 44 \$	MOROC 5.5 42 \$	BBB-	BBB-	yes	423	10	275	6	147	4	35%	1.0	163	82	1.0	163	82	27.5							
ROSNRM 4.199 22 \$	RUSSIA 4.5 22 \$	BB+	BB+	no	328	58	185	-6	144	64	44%	1.7	164	77	1.7	164	77	5.4							
GAZPRU 8.625 34 \$	RUSSIA 5.625 42 \$	BB+	BB+	no	421	6	287	-12	133	17	32%	0.5	172	101	0.5	172	101	17.5							
CDEL 4.875 44 \$	CHILE 3.625 42 \$	A	A+	yes	282	2	149	6	133	-4	47%	-0.4	248	71	0.2	248	36	28.0							
ENAPCL 4.75 21 \$	CHILE 3.25 21 \$	BBB	A+	yes	186	-4	53	18	133	-21	71%	-0.6	163	103	-0.6	163	103	5.1							
PEMEX 4.875 24 \$	MEX 4 23 \$	BBB	BBB+	yes	294	-23	163	36	131	-59	45%	-1.2	218	124	-1.2	218	124	7.2							
GPBRU 4.96 19 \$	RUSSIA 3.5 19 \$	BB+	BB+	no	277	17	150	-1	127	18	46%	-0.1	163	86	-0.1	163	86	2.9							
VTB 6.551 20 \$	RUSSIA 5 20 \$	BB+	BB+	no	291	16	167	-17	125	32	43%	1.3	141	58	1.3	141	58	4.0							
RSHB 5.1 18 \$	RUSSIA 11 18 \$	BB	BB+	no	221	5	100	-11	121	16	55%	-0.3	328	51	-0.8	1043	51	1.7							
SAFTRA 4 22 \$	SOAF 5.875 22 \$	BBB-	BBB-	yes	338	29	218	35	119	-6	35%	0.6	153	20	0.6	153	20	5.7							
CDEL 4.5 23 \$	CHILE 2.25 22 \$	A	A+	yes	194	-4	76	21	118	-24	61%	-1.0	270	83	-0.4	270	34	6.8							
CFELEC 4.875 21 \$	MEX 3.5 21 \$	BBB+	BBB+	yes	200	-17	84	14	115	-30	58%	0.1	212	8	0.7	212	8	4.6							
ECOPET 5.875 23 \$	COLOM 4 24 \$	BBB-	BBB	yes	310	-2	197	31	113	-33	37%	-1.1	180	92	-1.1	180	92	6.9							
GAZPRU 4.95 22 \$	RUSSIA 4.5 22 \$	BB+	BB+	no	295	16	185	-6	110	22	37%	1.2	130	67	1.2	130	67	5.7							
RURAIL 5.7 22 \$	RUSSIA 4.5 22 \$	BB+	BB+	no	294	16	185	-6	109	22	37%	1.7	125	59	1.7	125	59	5.4							
TCZIRA 4.25 19 \$	TURKEY 7 19 \$	BB+	BB+	yes	330	16	221	6	109	10	33%	-0.1	171	59	-0.1	171	59	2.7							
ENAPCL 4.375 24 \$	CHILE 3.125 25 \$	BBB	A+	yes	194	0	87	19	107	-19	55%	-1.8	142	105	-1.8	142	105	8.0							
SBERRU 6.125 22 \$	RUSSIA 4.5 22 \$	BB+	BB+	no	290	11	185	-6	105	17	36%	1.3	126	55	1.3	126	55	5.3							
COSICE 6.375 43 \$	COSTAR 5.625 43 \$	BB+	BB	yes	567	-104	464	18	103	-121	18%	-0.5	225	38	-0.3	225	38	26.5							
TMENRU 7.25 20 \$	RUSSIA 5 20 \$	BB+	BB+	no	266	17	167	-17	99	33	37%	1.4	119	50	1.4	119	50	3.3							

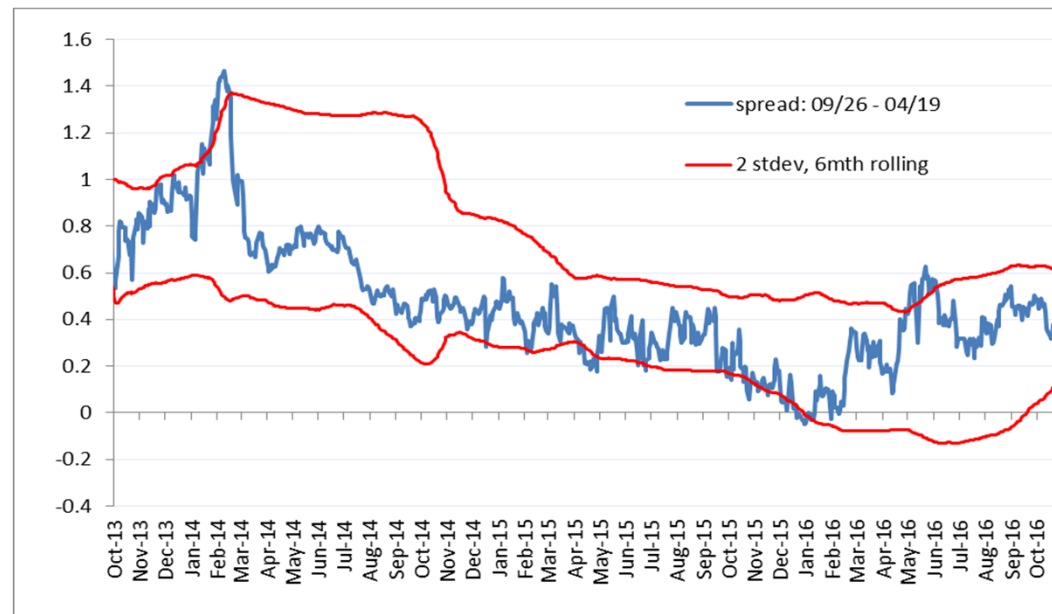
## How we look at local currency: (i) The top-down view

- We use forward-looking inflation, risk premia and volatility data as determinants of bond yield fair value
- We use normative judgements to determine whether a break from historic relationships is warranted and whether other qualitative factors such as political developments should be accounted for



## How we look at local currency: (ii) Security selection

- Decide on tenor based on monetary policy view, liquidity & risk premium, relative value, as well as carry and roll down
- Example:  
We are overweight Indonesia rates (as at October 2016) given:
  - i) our more dovish view on central bank policy vs. market expectations
  - ii) disinflation, both domestically and externally
  - iii) reduction of risk premium given improved external and fiscal balances
- Bond-picking...long-end offers the most value

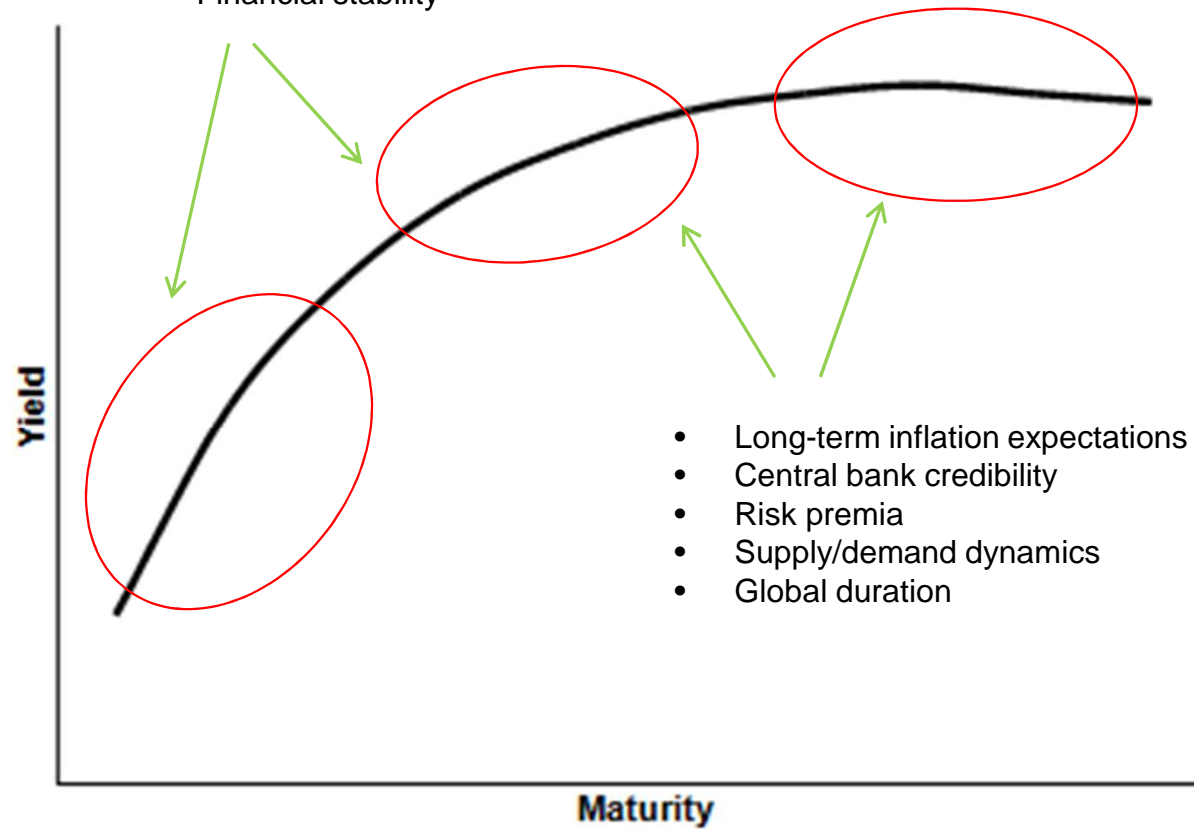




## How we look at local currency: (iii) Yield curve assessments

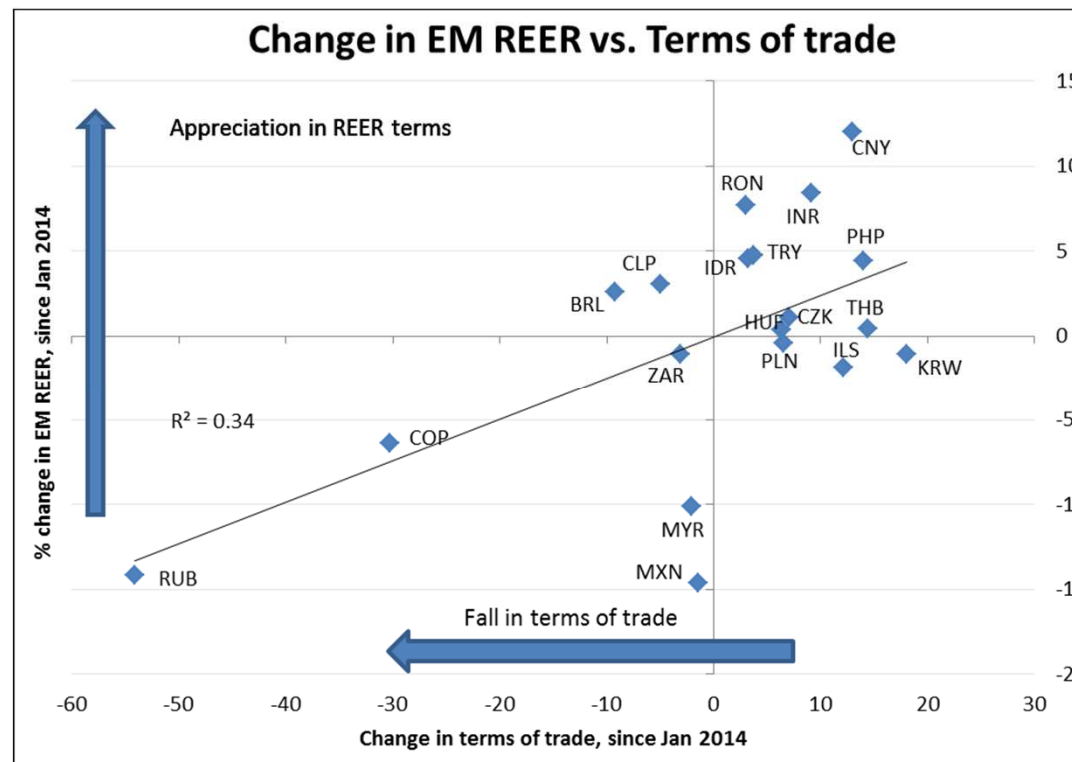
Monetary Policy view:

- Inflation
- Growth
- Financial stability

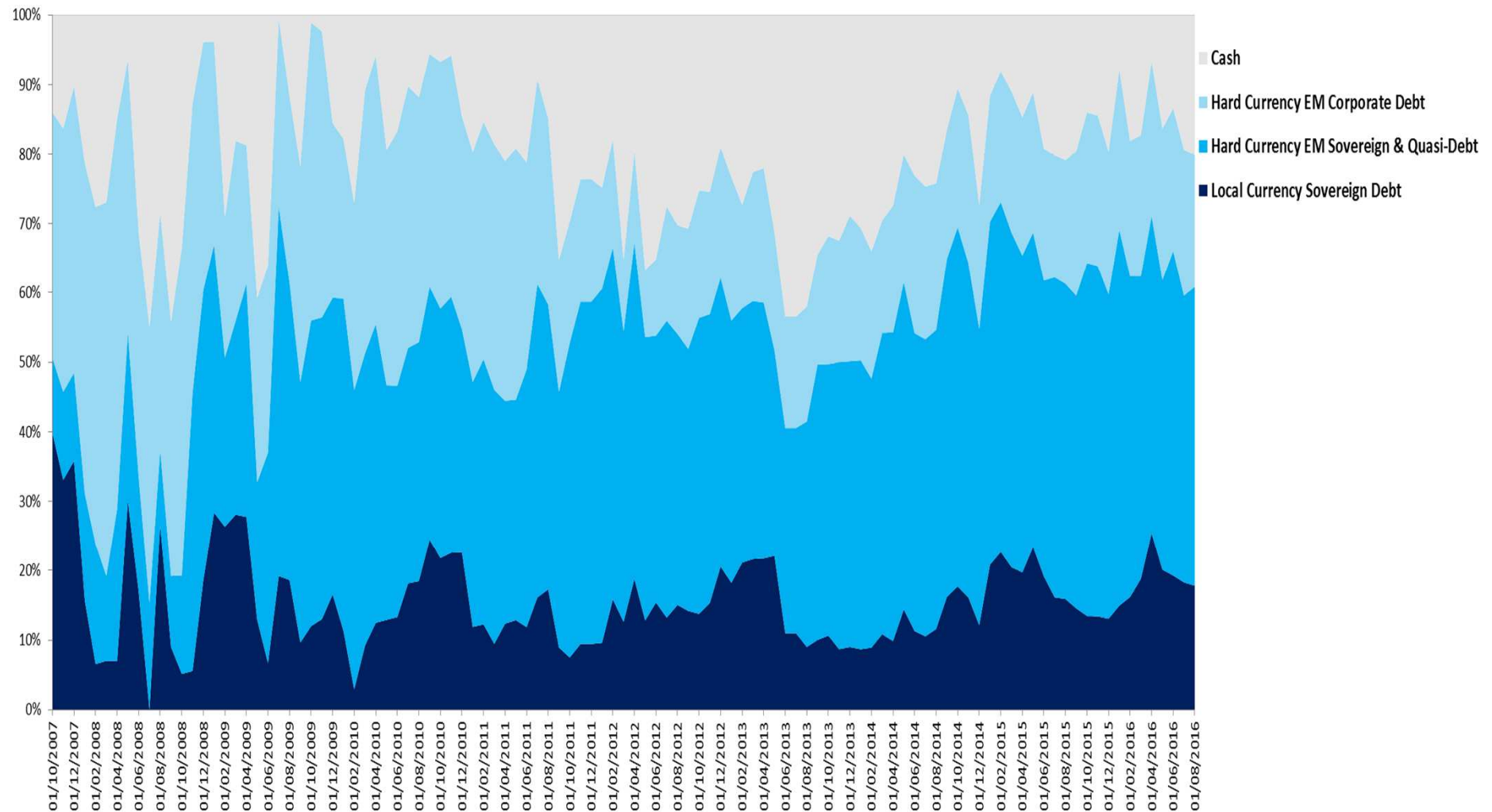


## FX Management in local currency

- We use FX to hedge bond positions – preference is to hedge where curves are steep in order not to lose too much carry
- We also trade FX where we feel market has mispriced risk. We look at long-term fundamental trends, positioning, momentum indicators and political developments.
- Example: CLP is expensive, COP & RUB adjusted to ToT shock, move to O/W. MXN and MYR have priced political risk.

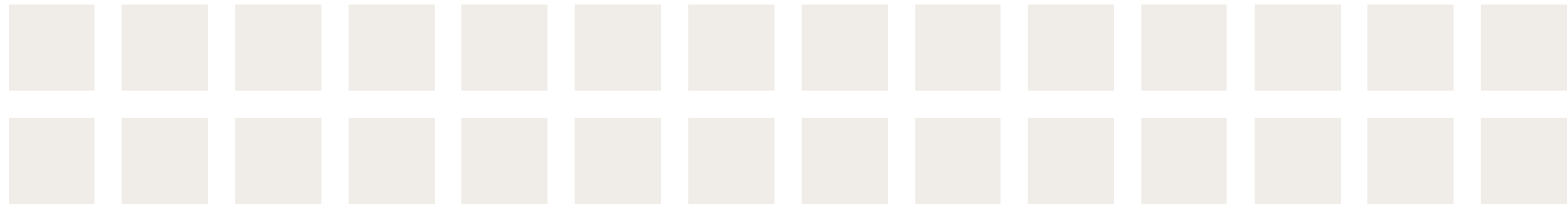


## Illustration of our active investment process (EMD blended process)



Amundi Funds Bond Global Emerging Blended historical fund asset allocation in weight (%) as at August 2016-end  
Provided for illustrative purposes only

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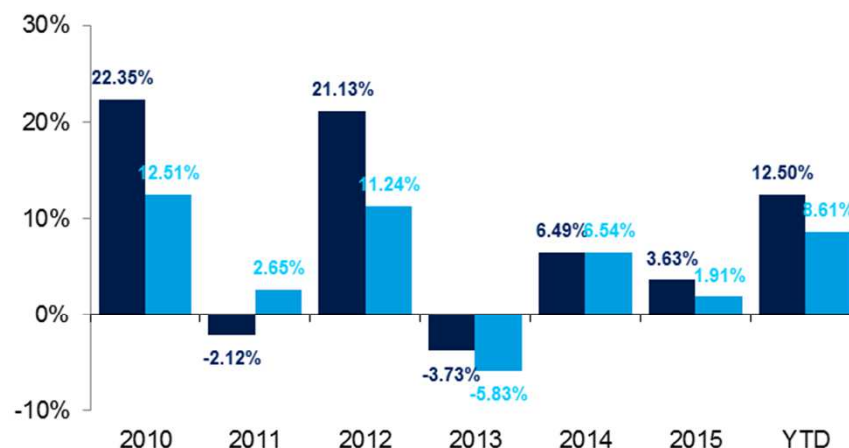


1. Our Edge in EM Debt
2. Amundi Group / Amundi London EMD resources
3. EMD investment philosophy and process
- 4. Products & Performances**
5. Appendix

## Profile of Amundi Funds Bond Global Emerging Blended

■ Management Benchmark:	50% JPM EMBI Global Diversified hedged in EUR / 50% JPM ELMI+ unhedged in EUR
■ Target Out-performance (Internal):	Target Gross Information Ratio = 0.5
■ Tracking Error (ex ante -Internal):	Maximum 8% p.a.
■ Interest Rate Risk (internal):	Active modified duration management within a [-300;+300] bracket versus benchmark
■ Currency Risk	Active currency management (All currencies)
■ Investment Instruments (subject to):	<p>External debt (G5 currencies) and local debt denominated in any emerging currency issued or guaranteed by governments, government agencies and corporates of developing countries. Max 10% in pooled funds. Max 25% corporate exposure</p> <p>Bond Futures and Options. No illiquid or structured products</p>

## Amundi Funds Bond Global Emerging Blended



■ AMUNDI FUNDS BOND GLOBAL EMERGING BLENDED

■ 50% JPM EMBI GLOBAL DIVERSIFIED HEDGED TR Close + 50% JP MORGAN ELM PLUS TR Close



— Cumulative Excess Return (right scale)

— AMUNDI FUNDS BOND GLOBAL EMERGING BLENDED

— 50% JPM EMBI GLOBAL DIVERSIFIED HEDGED TR Close + 50% JP MORGAN ELM PLUS TR Close

Gross Rolling Performance						AuM (MEUR)	
As of end Sep-16	YTD	1 Year	3 Years Annualised	5 Years Annualised	Annualised since 31/12/2009		541
Portfolio	12.50%	15.11%	7.74%	8.30%	8.49%		
Benchmark	8.61%	10.67%	5.57%	5.02%	5.40%		
Excess Returns	3.88%	4.43%	2.16%	3.28%	3.09%		
Risk Indicators		1 Year	3 Years	5 Years	Since 31/12/2009		
Portfolio Volatility	-	7.87%	7.05%	6.98%	7.31%		
Benchmark Volatility	-	5.50%	5.13%	5.22%	4.94%		
Ex-post Tracking Error	-	2.96%	2.49%	2.60%	3.32%		
Information Ratio	-	1.50	0.87	1.26	0.93		

Source: Amundi AM London Branch, Gross\* performance as at 30/09/2016

Past performance is not a reliable indicator of future results or a guarantee of future returns.

\* For gross performances figures: if management and administrative fees were deducted, net performance figures would be lower

## Amundi Funds Bond Global Emerging Blended – Performance Attribution

Gross Calendar Year Performance Attribution to 30<sup>th</sup> September 2016 (in EUR)

	2010	2011	2012	2013	2014	2015	2016
<b>Duration Management</b>	-1.04	0.66	0.13	2.13	-1.72	-0.69	0.03
<b>EM Bonds</b>	5.17	-2.77	7.60	-0.93	-0.39	1.66	4.26
External Debt Exposure	3.26	-2.27	5.59	-0.51	-0.21	2.10	2.84
Local Debt Exposure	1.91	-0.50	2.01	-0.42	-0.18	-0.44	1.42
<b>Currency allocation</b>	4.78	-2.68	1.57	0.82	2.06	0.75	-0.40
<b>Trading</b>	0.58	0.00	0.14	0.10	0.00	0.00	0.00
<b>Total gross out-performance</b>	9.84	-4.77	9.89	2.12	-0.05	1.72	3.89
<b>Gross Portfolio Performance</b>	22.35	-2.12	21.13	-3.73	6.49	3.63	12.50

2016 calendar performance figures to end September

- Gross absolute performance: +12.50%
- Gross relative performance: +3.89%
  - Duration exposure: +0.03%
  - EM bonds management: +4.26%
  - FX management: -0.40%

Source: Amundi AM London Branch as at 30/09/2016

Past performance is not indicative of future returns

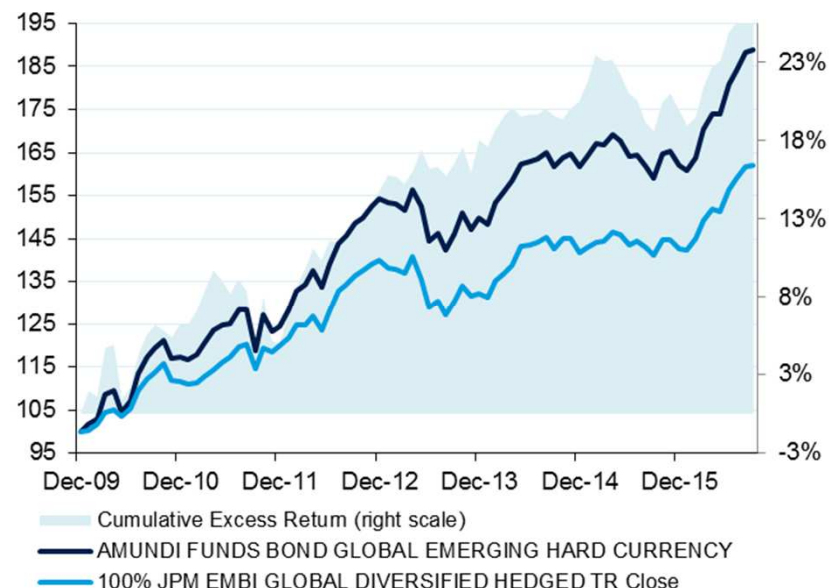
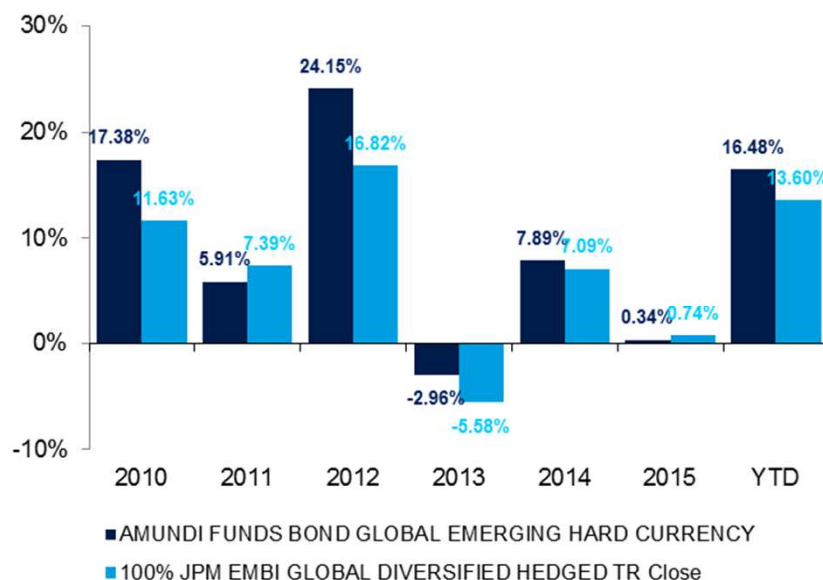
\* For gross performances figures: if management and administrative fees were deducted, net performance figures would be lower

## Profile of Amundi Funds Bond Global Emerging Hard Currency

■ Management Benchmark:	100% JPM EMBI Global Diversified Hedged EUR
■ Target Out-performance (Internal):	Target Gross Information Ratio = 0.5
■ Tracking Error (ex ante -Internal):	Maximum 5% p.a.
■ Interest Rate Risk (internal):	Active modified duration management within a [-300;+300] bracket versus benchmark
■ Currency Risk:	Hedged Portfolio denominated in EUR
■ Investment Instruments:	<p>External debt (G5 currencies) issued or guaranteed by governments, government agencies and corporates of developing countries. Max 10% in pooled funds. Max 25% corporate exposure</p> <p>Bond Futures and Options. No illiquid or structured products</p>



## Amundi Funds Bond Global Emerging Hard Currency



Gross Rolling Performance As of end Sep-16	YTD	1 Year	3 Years Annualised	5 Years Annualised	Annualised since 31/12/2009
Portfolio	16.48%	18.67%	8.87%	9.72%	9.88%
Benchmark	13.60%	14.89%	7.54%	7.15%	7.41%
Excess Returns	2.88%	3.78%	1.33%	2.57%	2.47%
Risk Indicators		1 Year	3 Years	5 Years	Since 31/12/2009
Portfolio Volatility	-	6.55%	6.36%	7.74%	8.51%
Benchmark Volatility	-	5.21%	5.37%	6.50%	6.53%
Ex-post Tracking Error	-	1.59%	1.85%	2.46%	3.20%
Information Ratio	-	2.37	0.72	1.04	0.77

AuM (MEUR)	699
Morningstar Rating	★★★★★

Source: Amundi AM London Branch, Gross\* performance as at 30/09/2016

Past performance is not a reliable indicator of future results or a guarantee of future returns.

Morningstar rating for 3&5 years track-record for IE share as at 30/09/2016

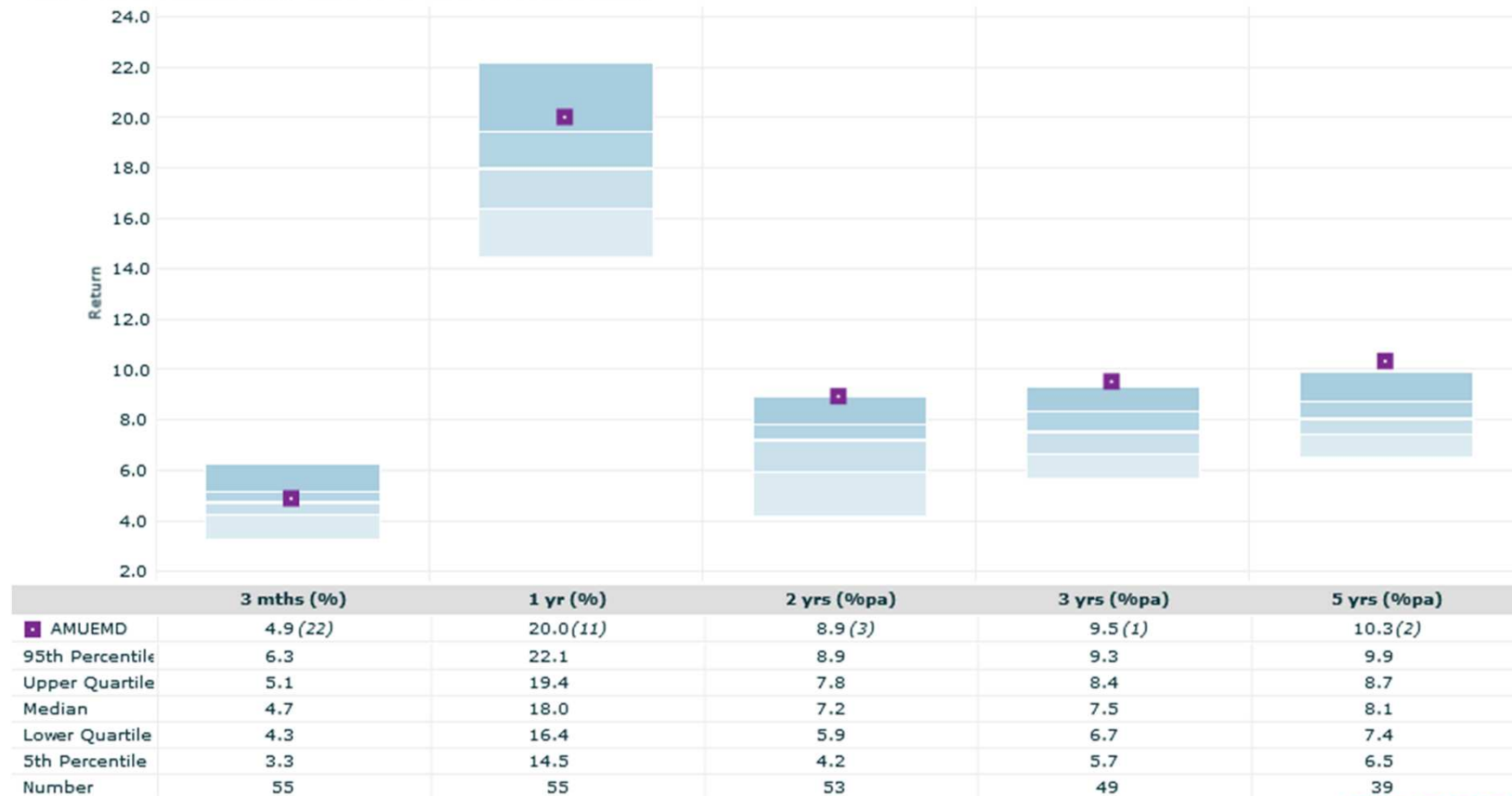
\* For gross performances figures: if management and administrative fees were deducted, net performance figures would be lower

## Amundi Funds Bond Global Emerging HC vs. peers

### Amundi - Emerging Market Hard Currency Debt

Return in \$US (before fees) over 3 mths, 1 yr, 2 yrs, 3 yrs, 5 yrs ending September-16

Comparison with the Emerging Market Debt universe (Actual Ranking)



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## Amundi Funds Bond Global Emerging HC – Performance Attribution

Gross Calendar Year Performance Attribution to 30<sup>th</sup> September 2016 (in EUR)

	2010	2011	2012	2013	2014	2015	2016
<b>Duration Management</b>	<b>0.87</b>	<b>-0.36</b>	<b>0.53</b>	<b>0.79</b>	<b>-1.21</b>	<b>-0.92</b>	<b>-0.13</b>
<b>Emerging Bonds</b>	<b>4.64</b>	<b>-1.23</b>	<b>6.95</b>	<b>1.84</b>	<b>2.01</b>	<b>0.52</b>	<b>3.01</b>
Emerging market exposure	2.27	0.56	0.06	0.37	0.94	-0.22	1.73
Emerging market selection	2.37	-1.79	6.89	1.47	1.07	0.74	1.28
<b>Trading</b>	<b>0.00</b>	<b>0.00</b>	<b>-0.64</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Total gross out-performance</b>	<b>5.75</b>	<b>-1.48</b>	<b>7.33</b>	<b>2.62</b>	<b>0.80</b>	<b>-0.40</b>	<b>2.88</b>
<b>Gross Portfolio Performance</b>	<b>17.38</b>	<b>5.91</b>	<b>24.15</b>	<b>-2.96</b>	<b>7.89</b>	<b>0.34</b>	<b>16.48</b>

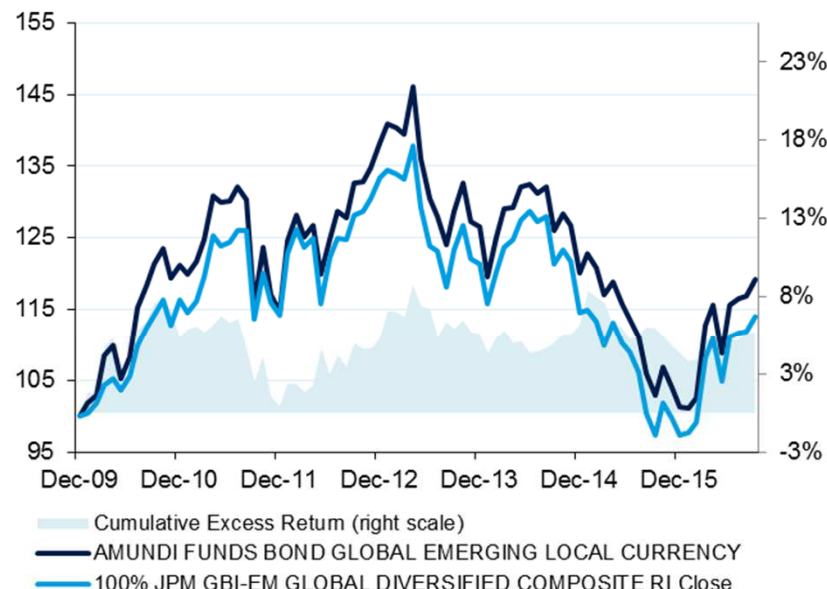
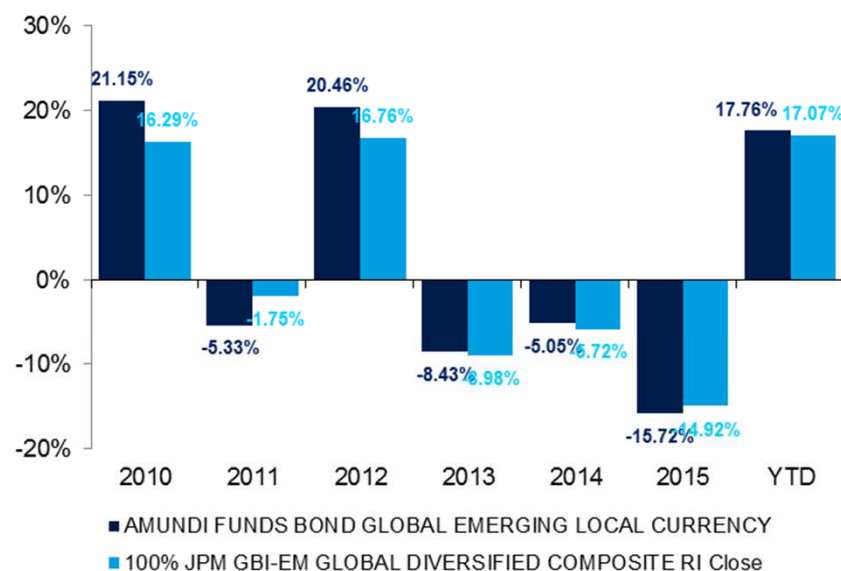
2016 calendar performance figures to end September

- Gross absolute performance: +16.48%
- Gross relative performance: +2.88%
  - Duration management: -0.13%
  - EM HC debt management: +3.01%

## Profile of Amundi Funds Bond Global Emerging Local Currency

■ Management Benchmark:	100% JPM GBI EM Global Diversified unhedged in USD
■ Target Out-performance (Internal):	Target Gross Information Ratio = 0.5
■ Tracking Error (ex ante -Internal):	Maximum 5% p.a.
■ Interest Rate Risk (Internal):	Active modified duration management within a [-300;+300] bracket versus benchmark
■ Currency Risk:	Active currency management (All currencies)
■ Investment Instruments:	Min. 66% invested in local debt issued or guaranteed by governments, government agencies and corporates of developing countries issued in any emerging currency. Max. 10% in pooled funds. Max 25% corporate Bond Futures and Options. No illiquid or structured products

## Amundi Funds Bond Global Emerging Local Currency



Gross Rolling Performance					
As of end Sep-16	YTD	1 Year	3 Years Annualised	5 Years Annualised	Annualised since 31/12/2009
Portfolio	17.76%	15.89%	-2.52%	0.60%	2.64%
Benchmark	17.07%	17.06%	-2.58%	0.06%	1.96%
Excess Returns	0.69%	-1.17%	0.05%	0.55%	0.67%
Risk Indicators					
		1 Year	3 Years	5 Years	Since 31/12/2009
Portfolio Volatility	-	14.54%	12.07%	12.69%	12.75%
Benchmark Volatility	-	13.48%	11.70%	12.12%	11.72%
Ex-post Tracking Error	-	1.62%	2.04%	2.69%	3.22%
Information Ratio	-	-0.72	0.02	0.20	0.21

AuM (M USD)	294
Morningstar Rating	★★★

Source: Amundi AM London Branch, Gross\* performance as at 30/09/2016

Past performance is not a reliable indicator of future results or a guarantee of future returns.

Reference indicator until 1<sup>st</sup> December 2010: JPM EMBI Global Diversified: Since 1<sup>st</sup> of December 2010: JPM GBI-EM Global Diversified unhedged in USD (EM local debt)

Morningstar rating for IU share as at 30/09/2016.

\*For gross performances figures: if management and administrative fees were deducted, net performance figures would be lower

## Amundi Funds Bond Global Emerging LC vs. peers

### Amundi - Emerging Market Local Currency Debt

Return in \$US (before fees) over 3 mths, 1 yr, 2 yrs, 3 yrs, 5 yrs ending September-16

Comparison with the Emerging Market Debt-Local Currency universe (Actual Ranking)



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## Amundi Funds Bond Global Emerging Local Currency – Performance Attribution

Gross Calendar Year Performance Attribution to 30<sup>th</sup> September 2016 (in USD)

	2010	2011	2012	2013	2014	2015	2016
<b>Duration Management</b>	<b>0.07</b>	<b>0.23</b>	<b>0.19</b>	<b>0.04</b>	<b>-0.90</b>	<b>-0.19</b>	<b>-0.22</b>
<b>Emerging Bonds</b>	<b>1.78</b>	<b>0.17</b>	<b>-0.46</b>	<b>0.89</b>	<b>0.07</b>	<b>-0.75</b>	<b>1.53</b>
Emerging market exposure	1.31	-0.24	-0.40	0.35	0.14	-1.20	0.95
Emerging market selection	0.47	0.41	-0.06	0.54	-0.07	0.45	0.58
<b>Currency allocation</b>	<b>1.86</b>	<b>-4.06</b>	<b>3.58</b>	<b>-0.38</b>	<b>1.30</b>	<b>0.14</b>	<b>-0.63</b>
<b>Trading</b>	<b>1.15</b>	<b>0.08</b>	<b>0.00</b>	<b>0.00</b>	<b>0.19</b>	<b>0.00</b>	<b>0.00</b>
<b>Total gross out-performance</b>	<b>4.86</b>	<b>-3.58</b>	<b>3.70</b>	<b>0.55</b>	<b>0.66</b>	<b>-0.80</b>	<b>0.68</b>
<b>Gross Portfolio Performance</b>	<b>21.15</b>	<b>-5.33</b>	<b>20.46</b>	<b>-8.43</b>	<b>-5.05</b>	<b>-15.72</b>	<b>17.76</b>

2016 calendar performance figures to end September

- Gross absolute performance: +17.76%
- Gross relative performance: +0.68%
  - Duration management: -0.22%
  - EM local debt management: +1.53%
  - FX management: -0.63%

Source: Amundi AM London Branch as at 30/09/2016

Past performance is not indicative of future returns

For gross performances figures: if management and administrative fees were deducted, net performance figures would be lower

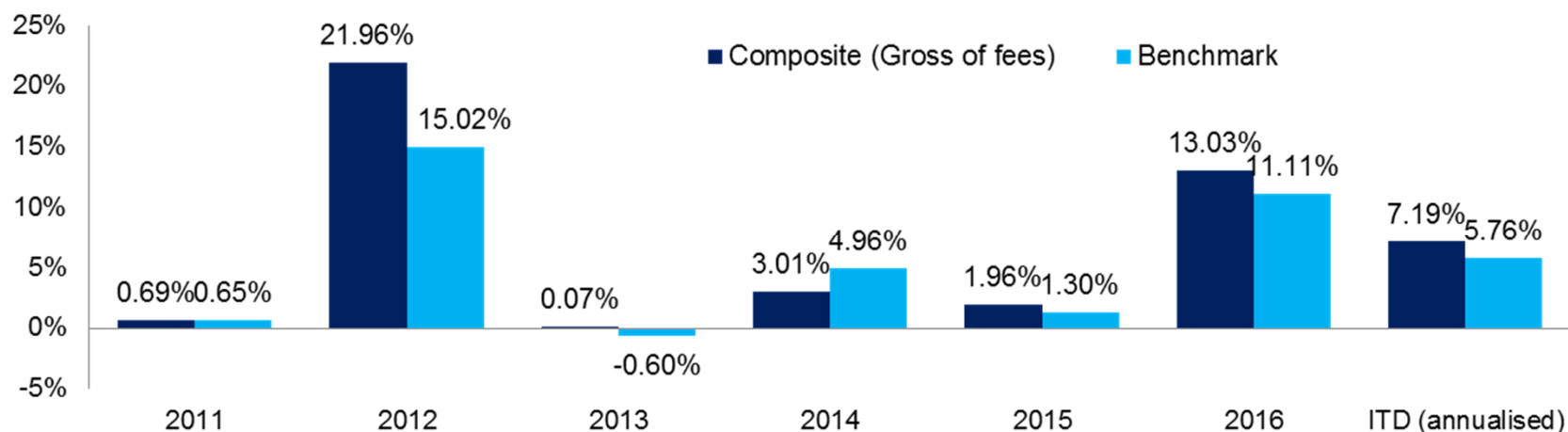
## Profile of Amundi Funds Bond Global Emerging Corporate

■ Management Benchmark:	100% JPM CEMBI Broad Diversified Hedged in USD
■ Target Out-performance (Internal):	Target Gross Information Ratio = 0.5
■ Tracking Error (ex ante - Internal):	Maximum 5% p.a.
■ Interest Rate Risk (Internal):	Active modified duration management within a [-300;+300] bracket versus benchmark
■ Currency Risk:	Hedged Portfolio denominated in USD
■ Investment Instruments:	<p>Min. 66% invested in corporate debt issued or guaranteed by companies of developing countries denominated in external or local currencies. Max. 10% in pooled funds. No illiquid or structured products</p> <p>Maximum overweight per issuer vs. benchmark is limited to 5% for investment grade issuer and 4% for high yield issuer.</p> <p>Bond Futures and Options, CDS (Single Issuer and Indices)</p>



## Amundi Funds Bond Global Emerging Corporate in USD

Gross performance 14<sup>th</sup> March 2011 to 30<sup>th</sup> September 2016 (Hard Currency EM Corporate GIPS composite)



Period	Gross Annualised Relative Performance	Information Ratio	Sharpe Ratio	Ex-post TE
Rolling 3 years (30/09/13 to 30/09/16)	0.35%	0.17	1.21	2.06%
Rolling 5 years (30/09/11 to 30/09/16)	1.58%	0.73	1.33	2.15%
Since inception (14/03/11 to 30/09/16)	1.44%	0.67	1.04	2.15%

Compliance with GIPS Standards: Amundi has prepared and presented in compliance with the Global Investment Performance Standards (GIPS®). Amundi's claim of compliance with GIPS® for the period from January 1st, 1994 through December 31, 2015 has been verified by independent auditors. The verification report is available upon request. The composite presentation is made by Amundi. The benchmark of the composite is calculated by weighting the different portfolios benchmarks included in the composite. The methods used for calculating the performance composite are applied: the weight of each benchmark for a period is the weight of the correspondent portfolio at the end of the preceding period. The principal indices of the benchmark composite are: - 100% JP MORGAN CEMBI BROAD DIVERSIFIED. A full list of all composites and appropriate disclosures is available on request.

Source: Amundi London

Past performance is not indicative of future returns

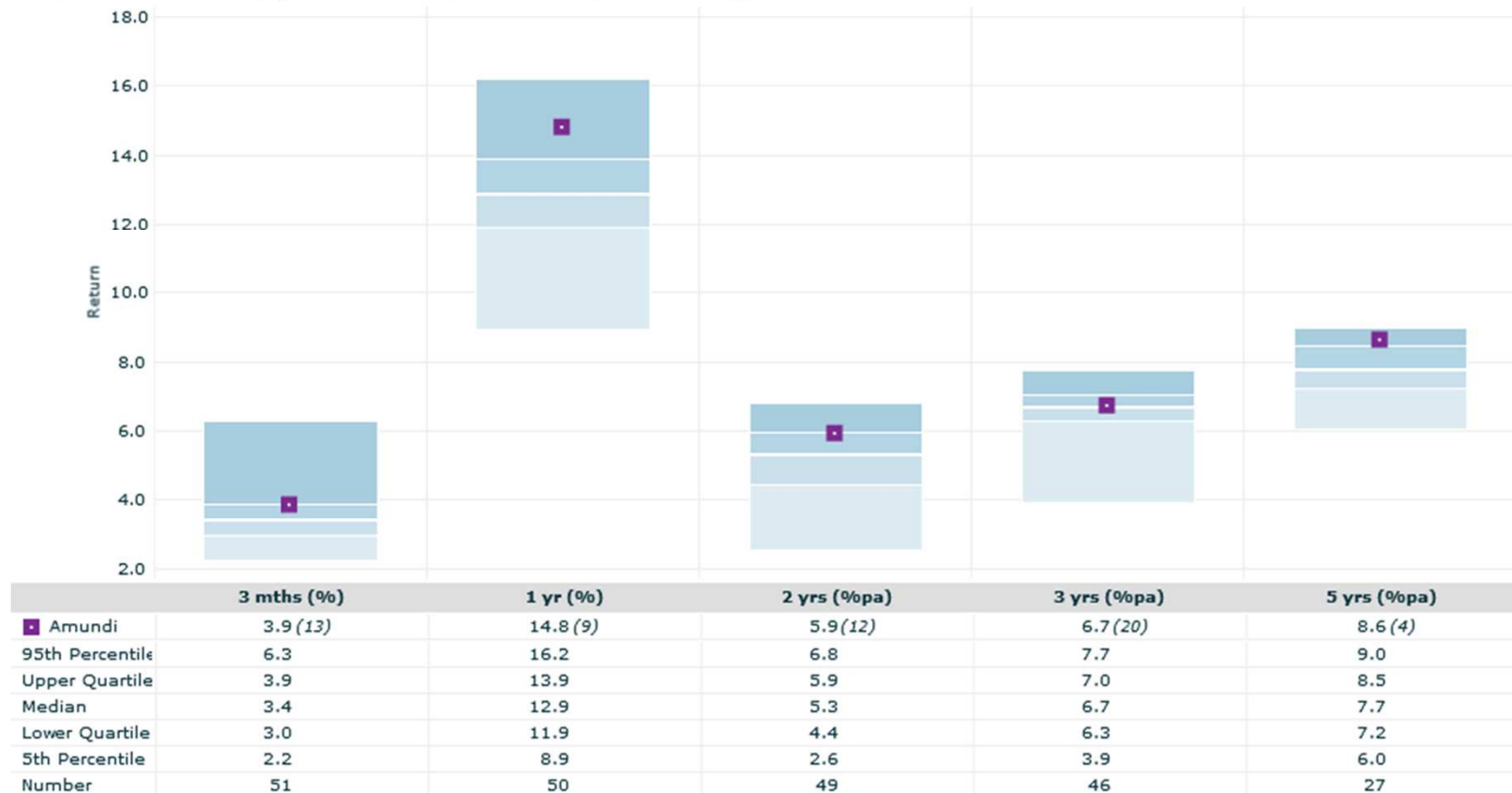
For gross performances figures: if management and administrative fees were deducted, net performance figures would be lower

## Amundi Funds Bond Global Emerging Corporate vs. peers

### Amundi - Emerging Market Corporate Bond

Return in \$US (before fees) over 3 mths, 1 yr, 2 yrs, 3 yrs, 5 yrs ending September-16

Comparison with the Emerging Market Debt-Corporate universe (Actual Ranking)



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## Amundi Funds Bond Global Emerging Corporate – Performance Attribution

Gross Calendar Year Performance Attribution to 30<sup>th</sup> September 2016 (in USD)

	2012	2013	2014	2015	2016
<b>Duration management</b>	<b>0.10</b>	<b>0.81</b>	<b>-1.12</b>	<b>-0.21</b>	<b>0.01</b>
Global bond exposure	-0.05	0.42	-1.77	-0.18	0.01
Country allocation	0.05	0.36	0.44	-0.07	-0.01
Yield curve segment allocation	0.10	0.03	0.21	0.04	0.01
<b>Emerging Bonds</b>	<b>3.72</b>	<b>-0.37</b>	<b>-0.83</b>	<b>0.87</b>	<b>1.91</b>
Emerging market exposure	1.33	0.04	-0.18	-0.22	1.43
Emerging market selection	1.10	-0.44	0.06	0.56	0.22
Emerging sector	0.15	0.04	0.31	0.34	0.27
Bond selection	1.15	-0.01	-1.02	0.19	-0.01
<b>Total gross out-performance</b>	<b>3.82</b>	<b>0.67</b>	<b>-1.95</b>	<b>0.66</b>	<b>1.92</b>
<b>Gross Portfolio Performance</b>	<b>13.13</b>	<b>0.07</b>	<b>3.01</b>	<b>1.96</b>	<b>13.03</b>

2016 calendar performance figures to end September

- Gross absolute performance: 13.03%
- Gross relative performance: +1.92%
  - Duration management: flat
  - EM Corporate debt management: +1.91%

AuM (USD M)	298
Morningstar Rating	★★★★

Source: Amundi AM London Branch

Past performance is not indicative of future returns

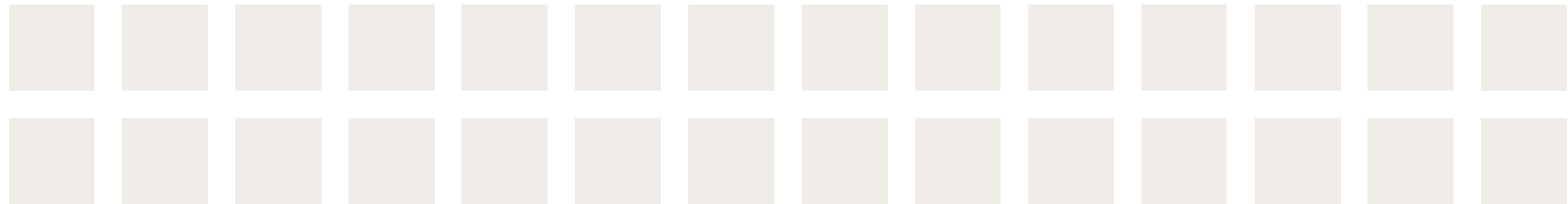
Morningstar ranking for IU share as at 30/09/2016

For gross performances figures: if management and administrative fees were deducted, net performance figures would be lower

## Why Amundi for managing EMD?

- A **multi-skilled** Emerging debt team, with **complementary backgrounds**, successfully combining market specialists, strategists and analysts
- **Successful track record** in stand alone strategies and blended funds
- Experienced sovereign and credit analysis team and **long-established investment process**
- **Synergies** with Global Fixed Income, Credit, HY and EM equity teams
- **Active** and **flexible investment approach** combined with reasonable level of AUM
- A **dedicated relationship manager** and **client servicing team** acting as an entry point into our organisation

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1. Our Edge in EM Debt
2. Amundi Group / Amundi London EMD resources
3. EMD investment philosophy and process
4. Products & Performances
5. **Appendix**

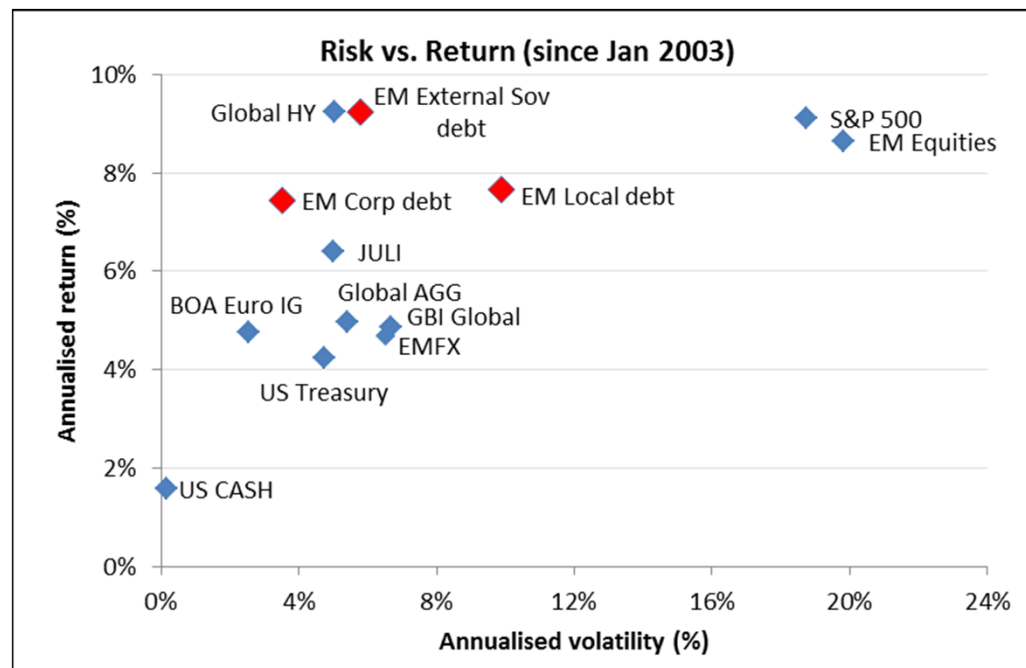
## EMD in the wider portfolio

- Yield enhancement: Around 5% carry<sup>1</sup>
- Strong Credit quality
  - EM leverage lower than US/EU, default rates in line with the US and EU
- Liquidity: Investable and growing in size
  - USD 14 trillion investable universe, 12% of the World Debt
- Diversification: Geographical
  - up to 60 countries with diverse economic cycles and 500 corporates
- Diversification: Type of Risk
  - Sovereign and Corporate
  - USD/EUR and Local Currencies
- Attractive risk-reward historically
- Underinvested asset class

▶ EMD as a substitute for more traditional asset classes within classical FI Portfolios

## Strong historic risk-adjusted returns

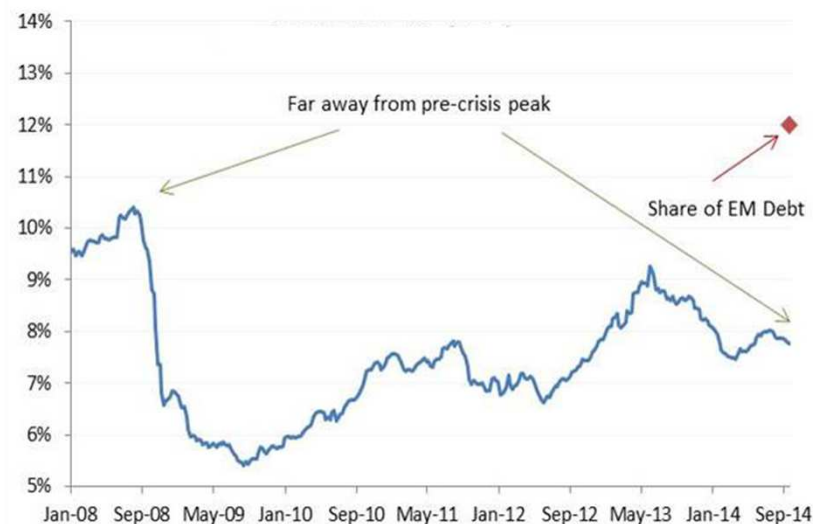
- EM assets offer an attractive risk-return profile
- Particularly on external debt



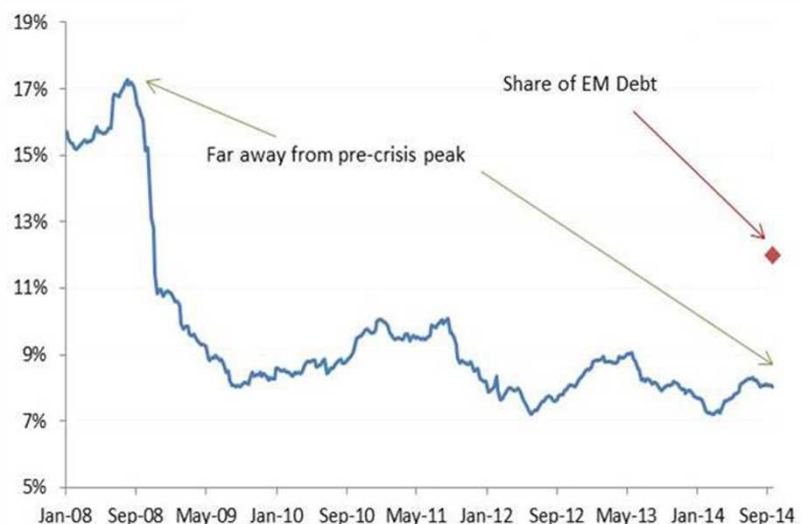
## There is spare capacity in EM Fixed Income

- EM has 12% of global debt, but only less than 8% share of assets are in EM debt funds
- Share of assets in EM remains well below its pre-Lehman peak, despite favourable yield
- Under-allocation to EM vs. pre-Lehman is even more pronounced if we exclude retail funds
- A move towards 12% share implies inflows of over \$ 1tn into EM Fixed Income

EM FI AUM, % total



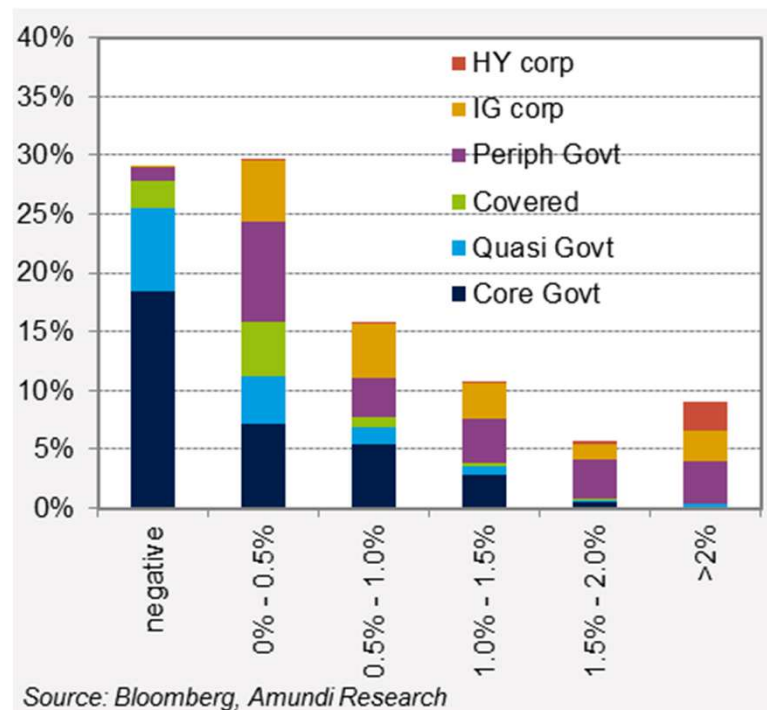
EM FI AUM, % total (Institutional Funds)



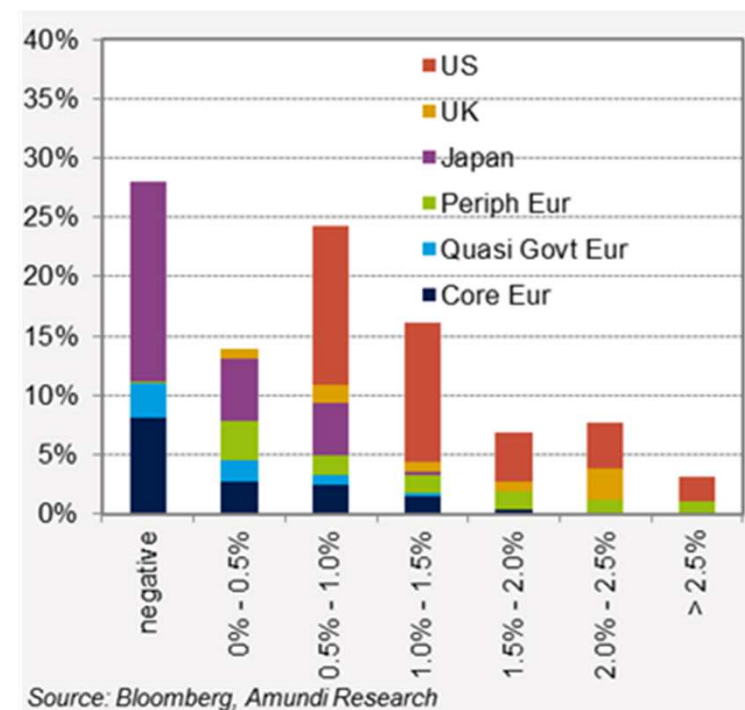


## The absence of yield in developed markets could push flows to EM

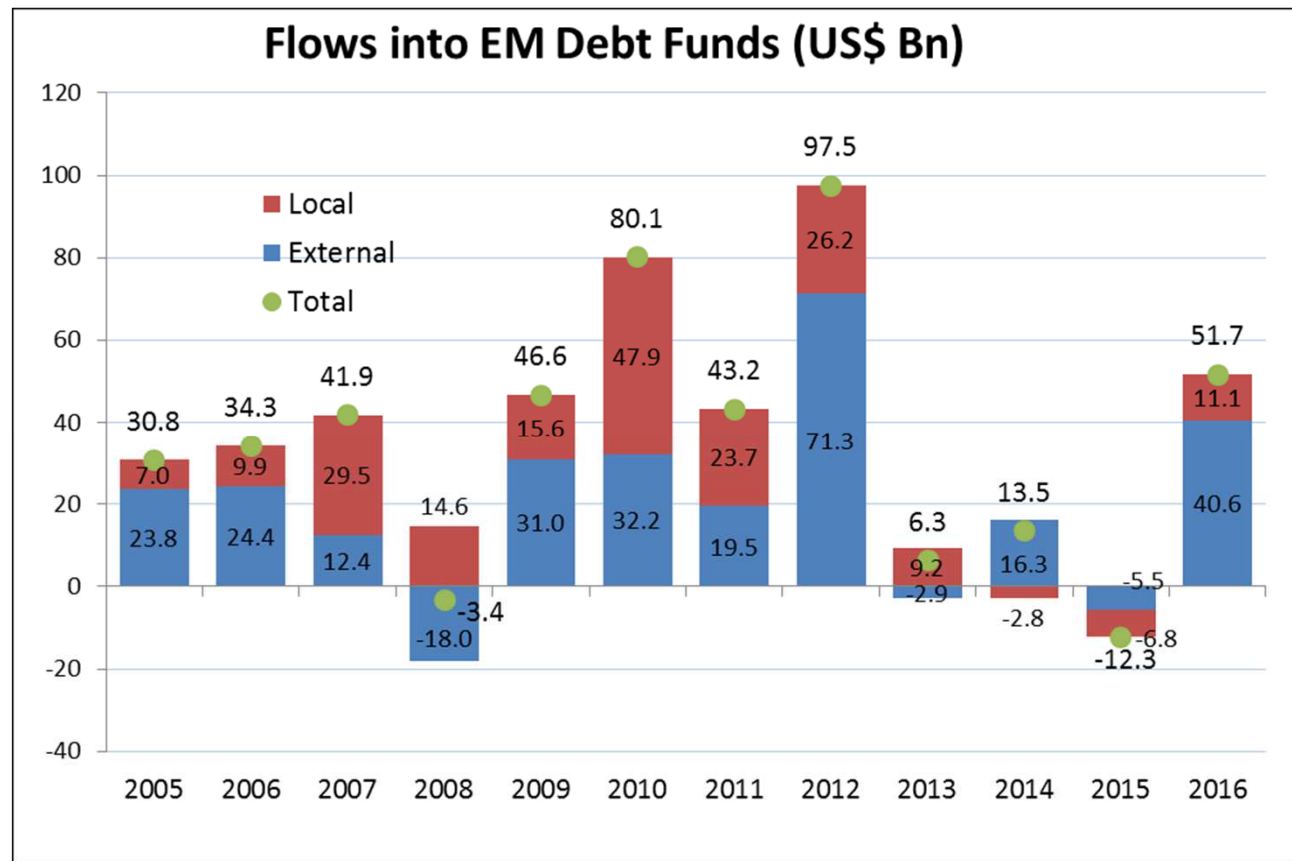
Eurozone bond yields: ~60% earning less than 0.5% yield



Developed Markets' sovereign bond yields: ~65% earning less than 1% yield. 97% less than 2.5%.

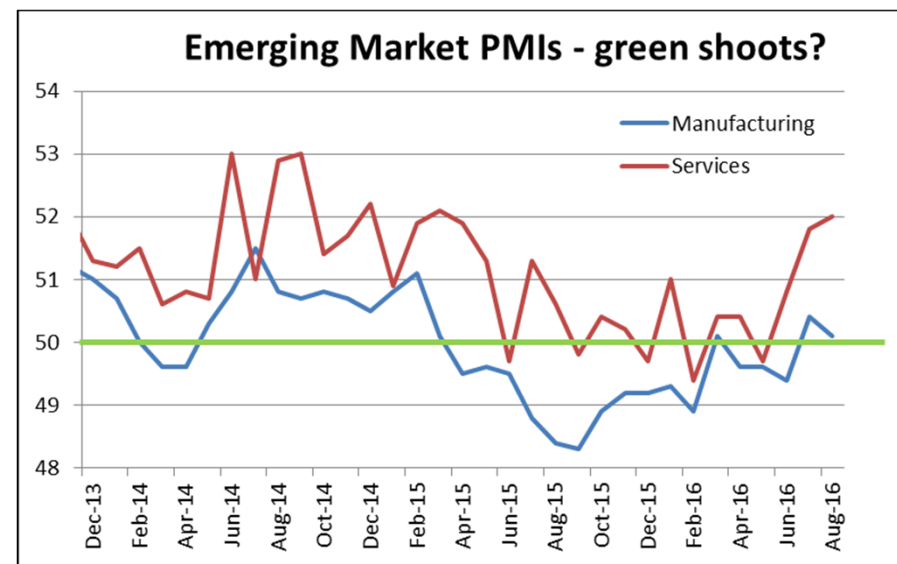
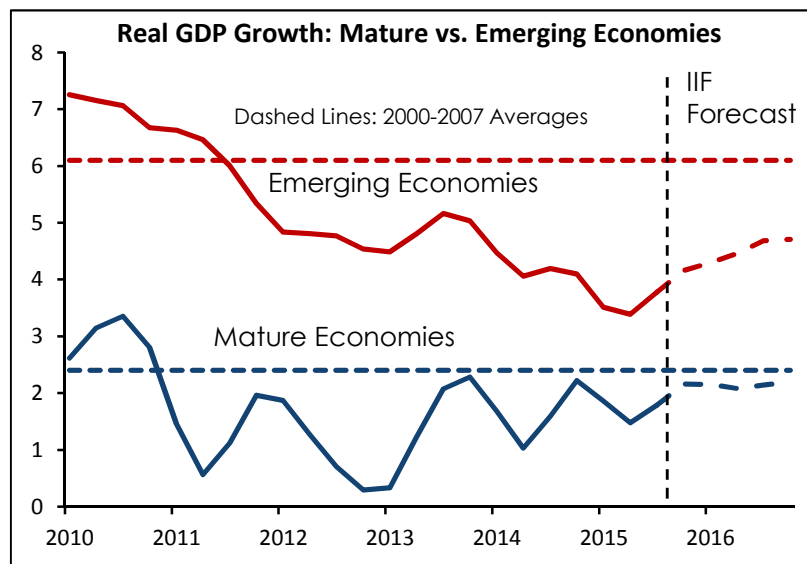


## Inflows are returning



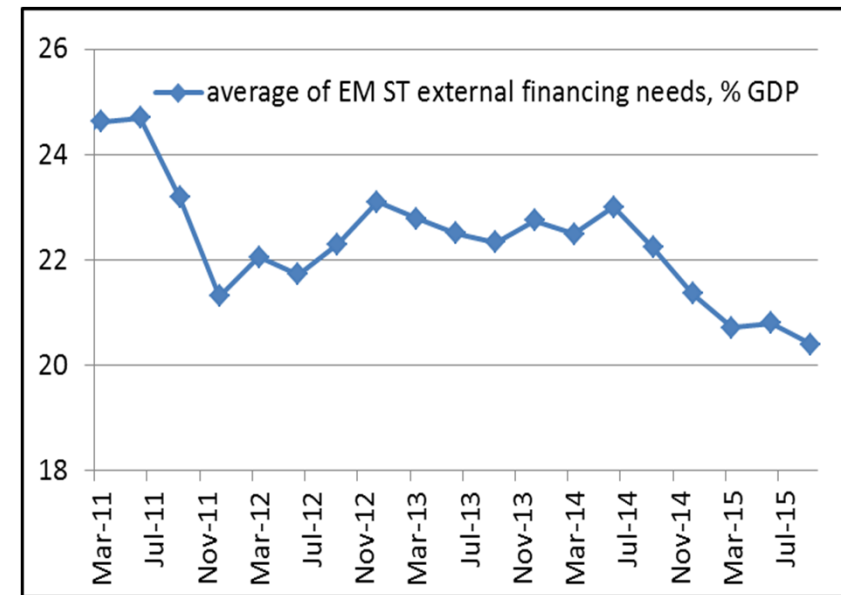
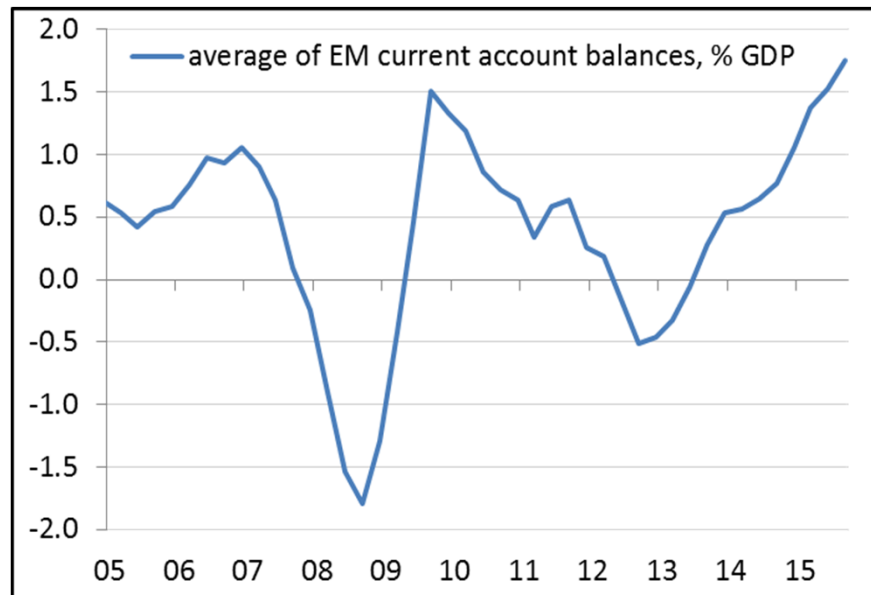
## EM growth showing signs of stabilisation

- Growth in EM has been surprising to the upside for first time in 5 years
- The EM-DM output growth differential expected to start widening again
- No sign of negative knock-on effect on EM growth from Brexit
- But no surge in growth either amidst slowing China



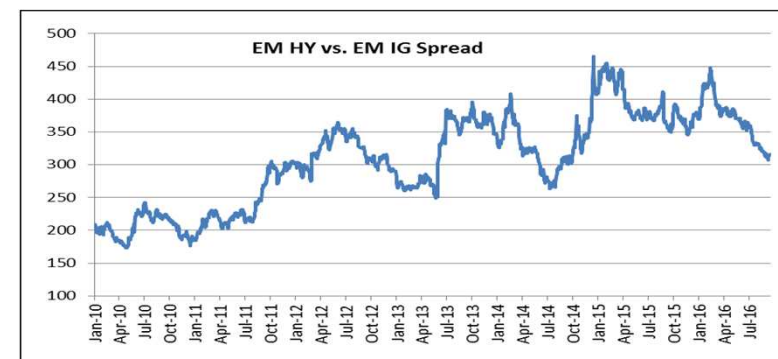
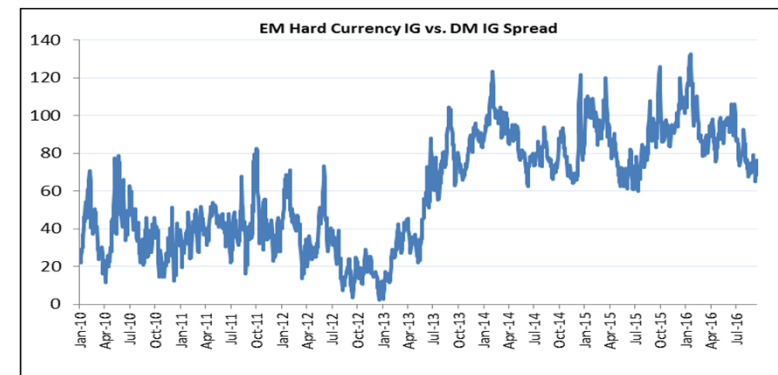
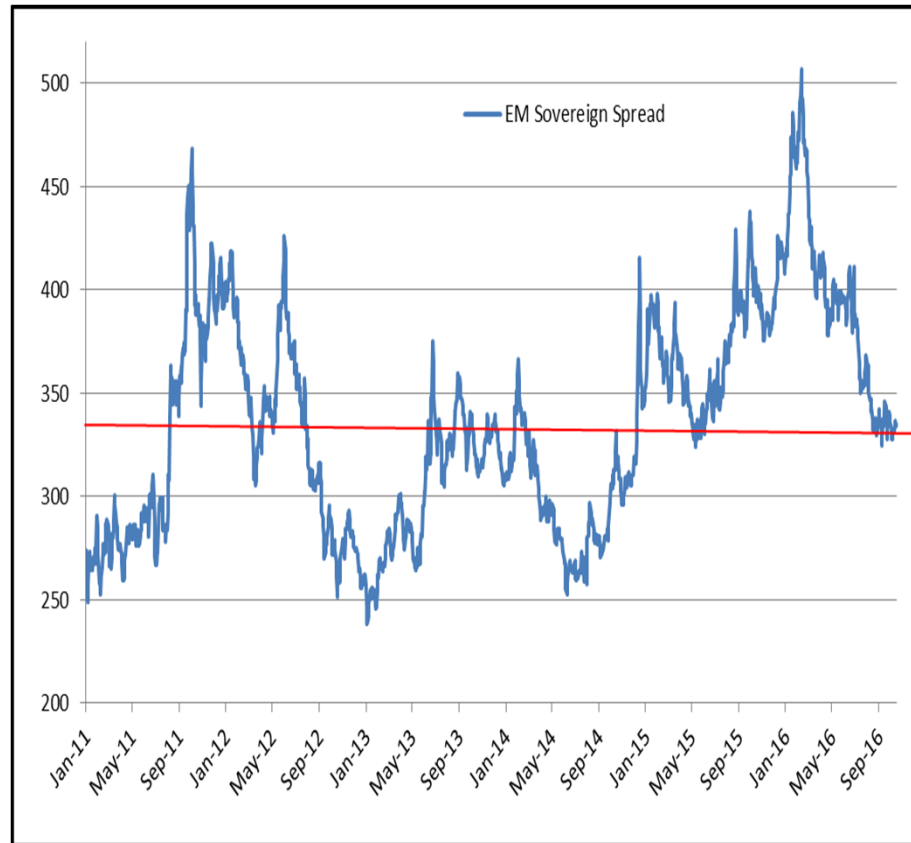
## Fundamentals looking healthier – lower external vulnerability

- Current account balances on improving trend, *despite* negative shock to terms of trade
- Short-term external financing needs on declining path in EM



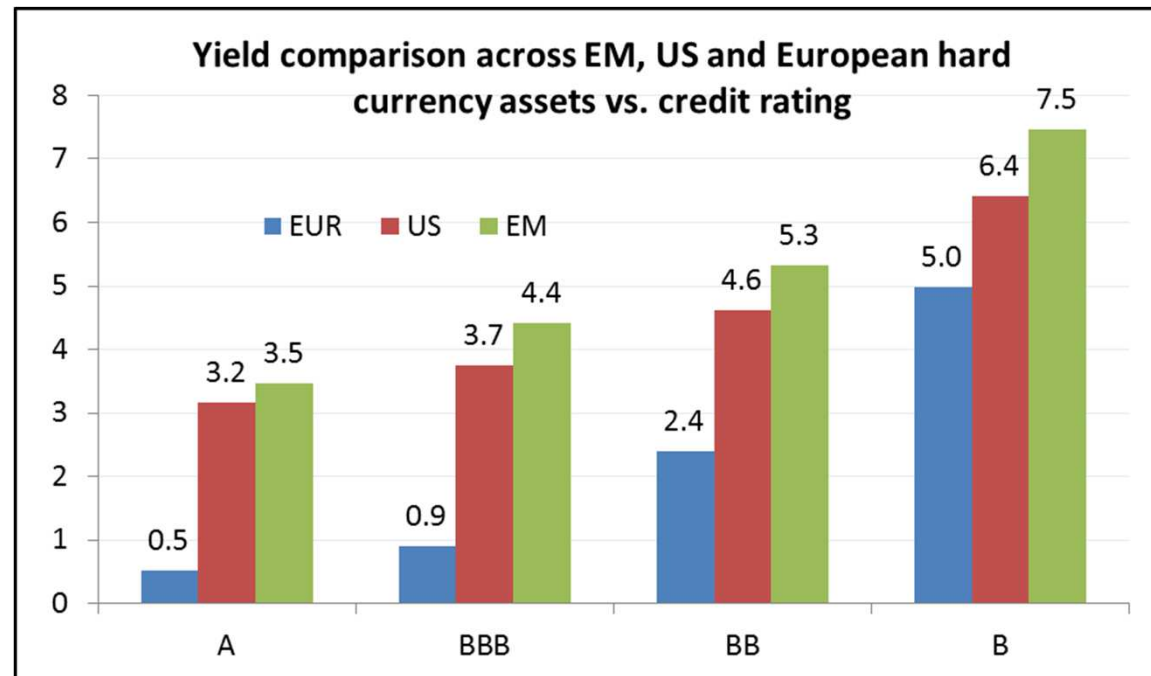
## Hard Currency (i): Not expensive yet

- Spreads have tightened, but remain 100bps wider than taper tantrum episode, despite reduced vulnerabilities
- EM IG trading at 60bps vs. DM IG – traded flat before taper tantrum



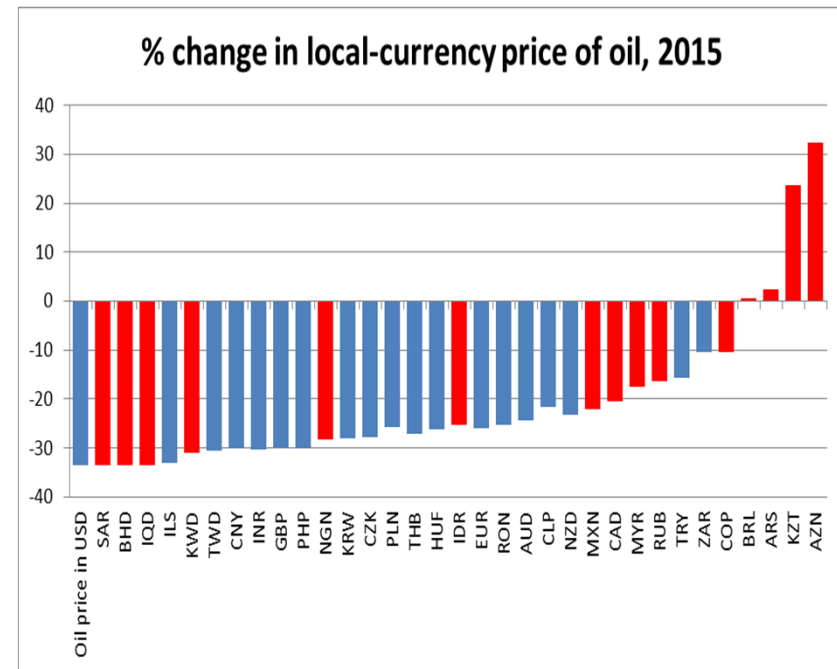
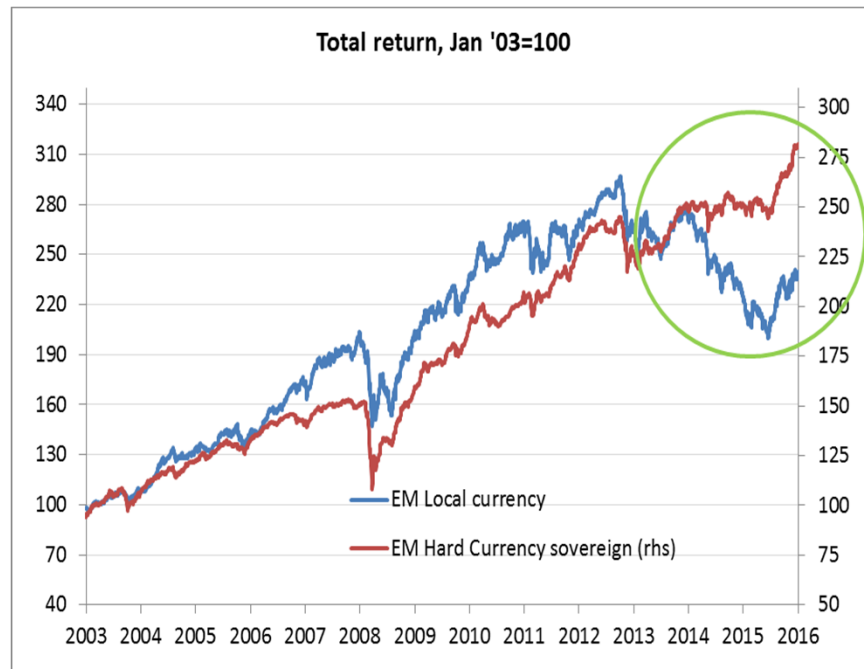
## Hard Currency (ii) EM corporates offering attractive yield pick-up vs. DM counterparts

- EM Corporates offer an attractive yield pick-up vs. US and European corporates for the same credit rating risk
- EM is the 'oasis in a yield desert': 97% of all sovereign developed markets offer yield below 2.5%
  - EM Hard currency debt offer ~5% for BB+ credit rating on average
  - EM Local currency debt offers ~6.2% for BBB credit rating on average



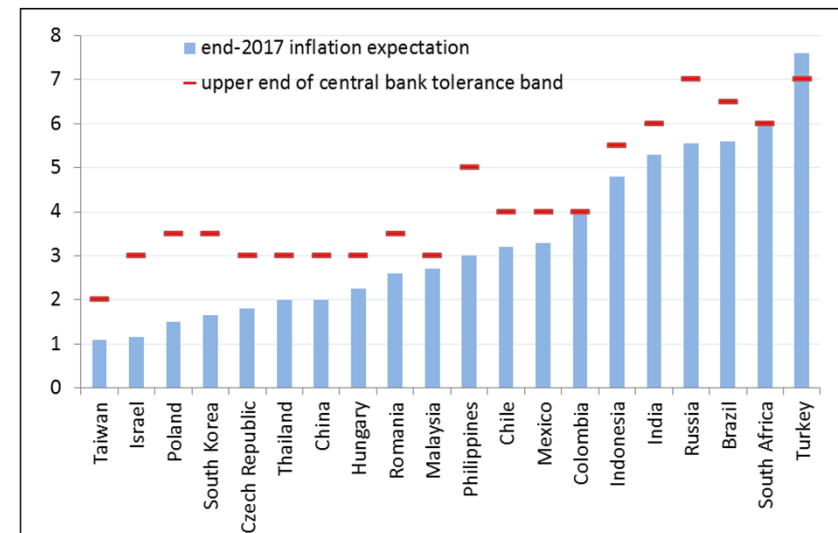
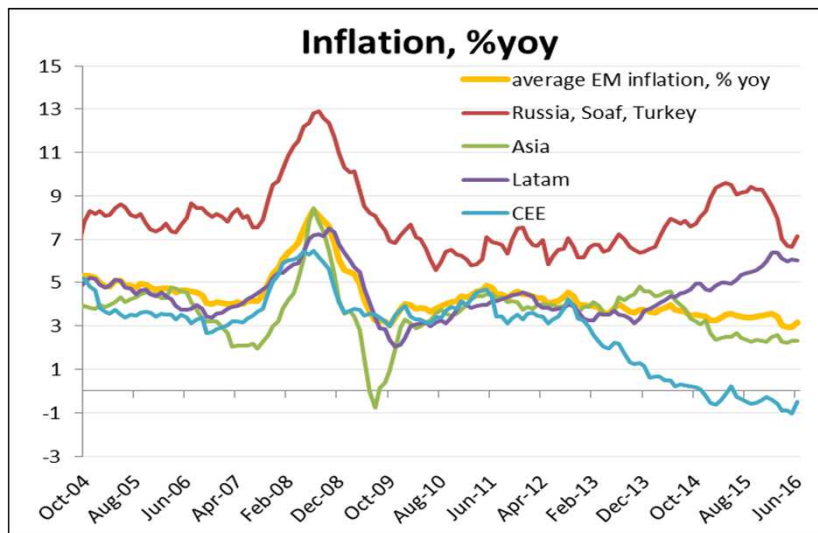
## Hard Currency (iii): EM FX flexibility providing support for EM credit

- The divergence between EM credit and EM currencies has been unprecedented since the oil price collapse started in mid-2014
- EM Currencies have acted as the adjustment valve – increasing number of currencies in free float
- Currency sell-off has allowed for macro stabilisation
  - ⇒ prevented exaggerated weakness in current account and fiscal balances
- Only GCC currencies have not adjusted in 2014/2015, making credit in the region more vulnerable



## Local Debt (i) Inflation contained, room for more accommodation

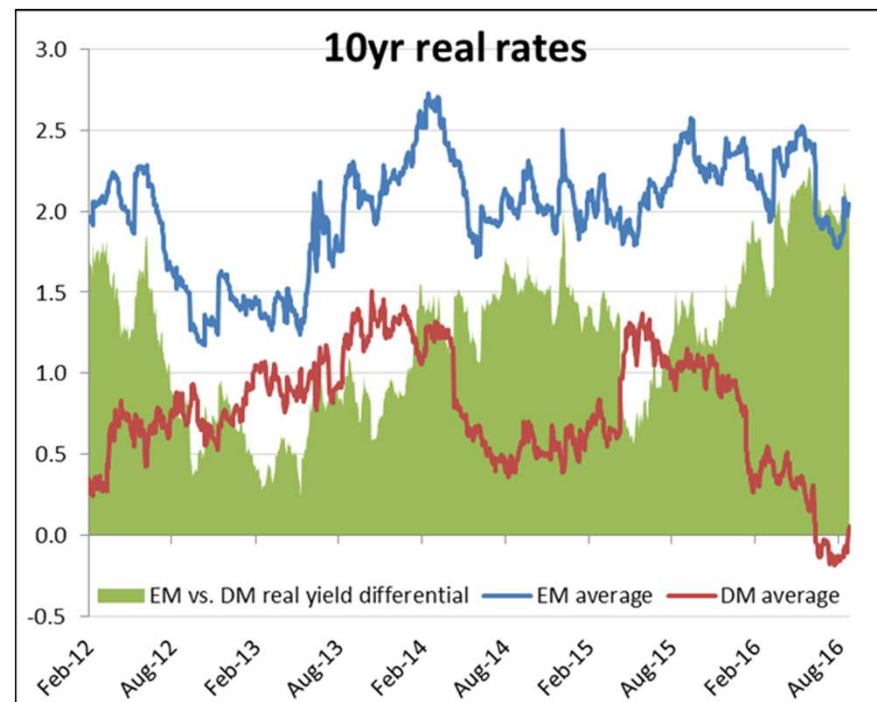
- Valuations in EM rates and credit remain attractive, despite the recent rally
- Forward-looking inflation expectations point to inflation being at or below target for most central banks in EM
- Inflation on downward trajectory in typically high-inflation countries





## Local Debt (ii) attractive real rates across EM

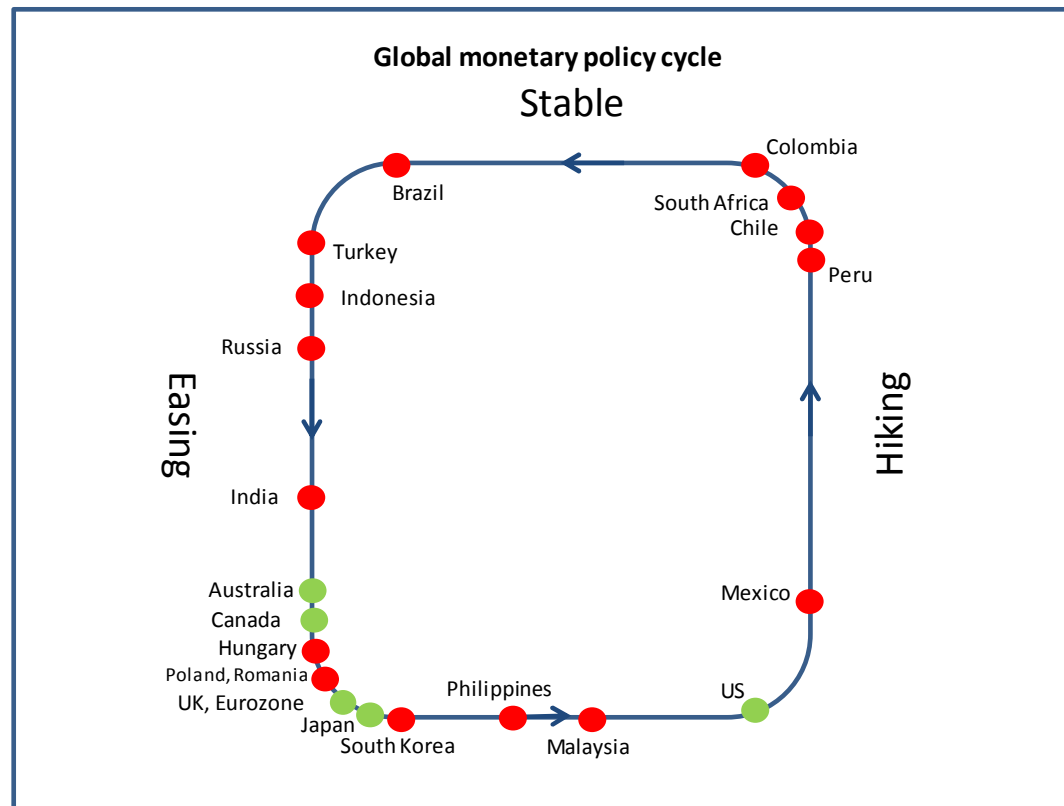
- Real rate differential between EM and DM at multi-annual wides
- EM rates need to catch up with fall in inflation



## Local Debt (iii) diversification of monetary policy cycles

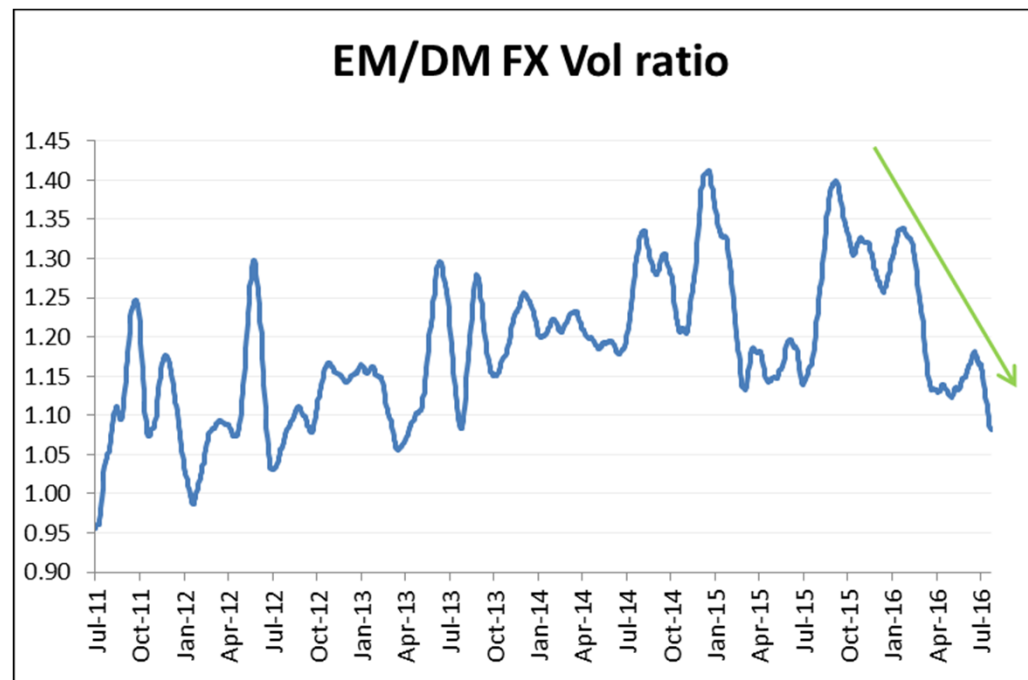
EM policy rate cycles are highly de-synchronised allowing for attractive relative value opportunities

- Note that most high-yielders have tightening cycle behind them

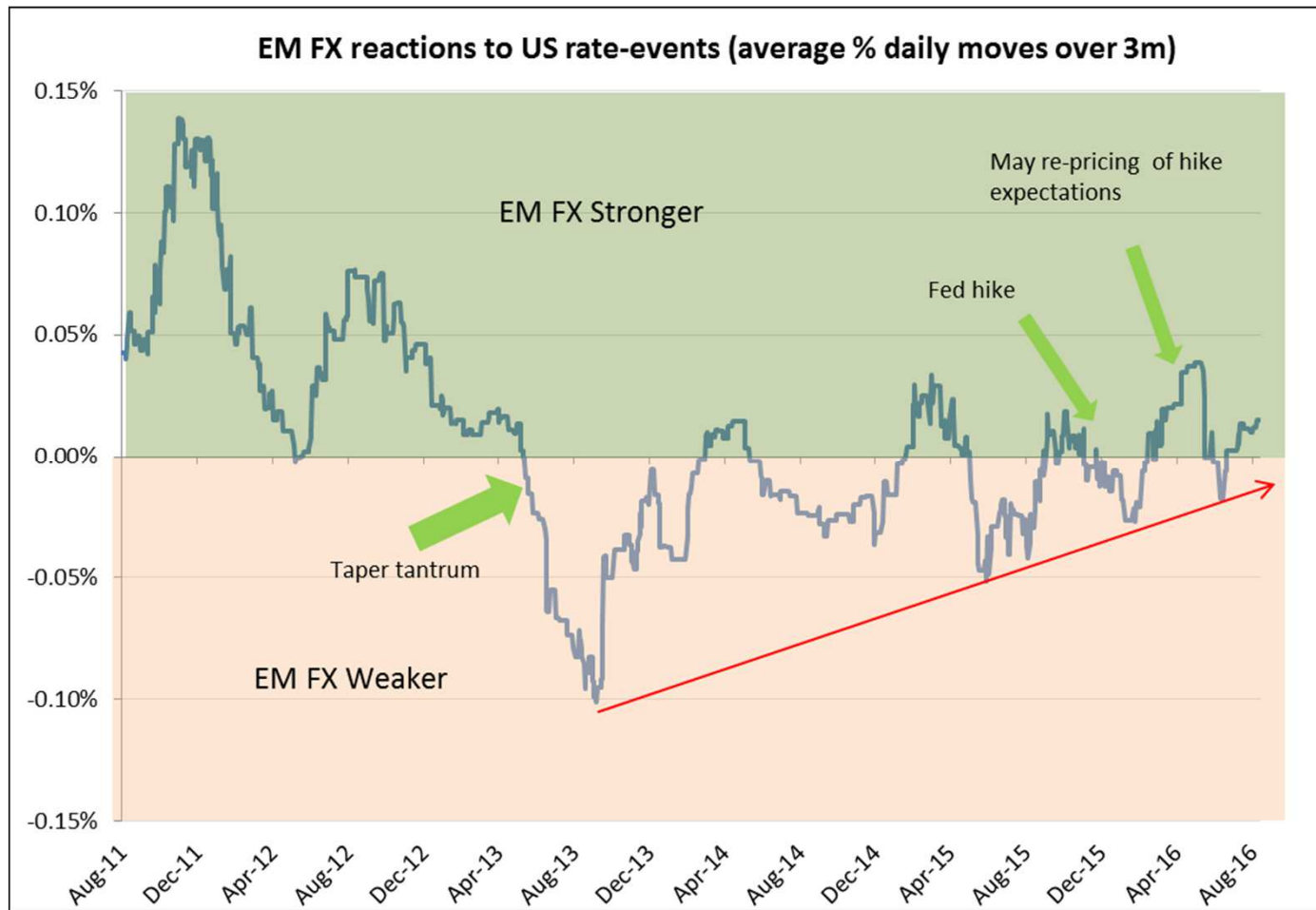


## Local Debt (iv) EM FX enjoying less volatility compared to DM currencies

- The vol on EM currencies has been falling compared to DM
  - The ratio is now at the lowest level since June 2013



## Local debt (v) EM FX much less vulnerable to hawkish Fed surprises

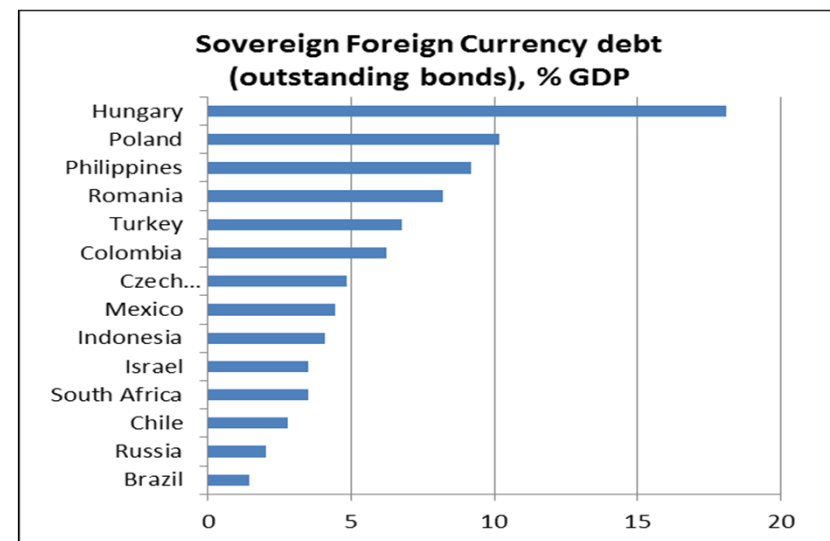
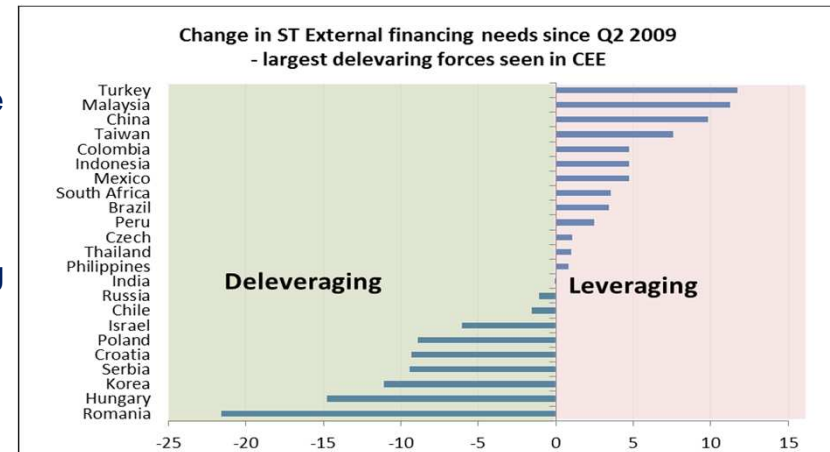
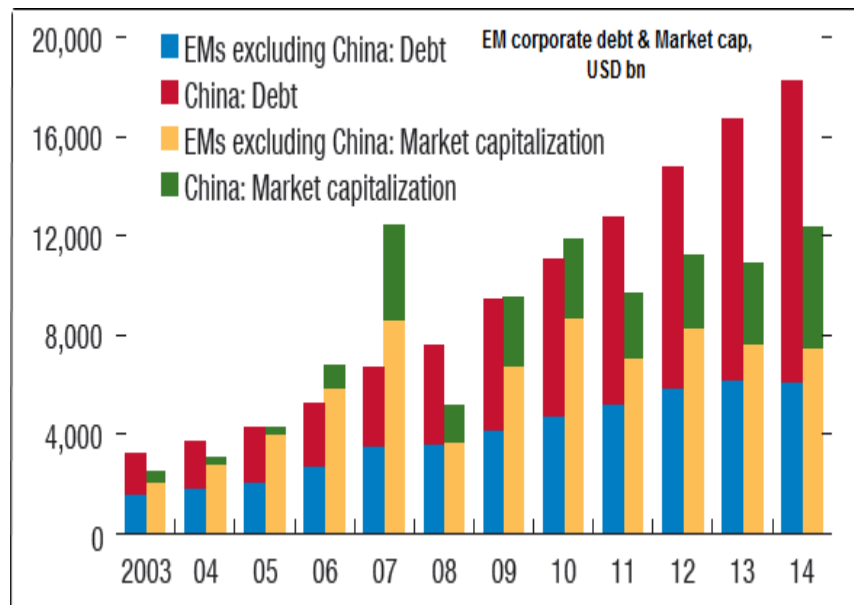


Source: Amundi, Bloomberg, as at October 2016

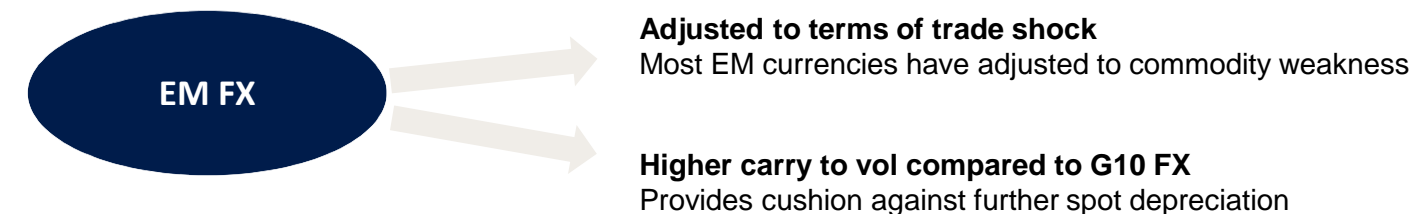
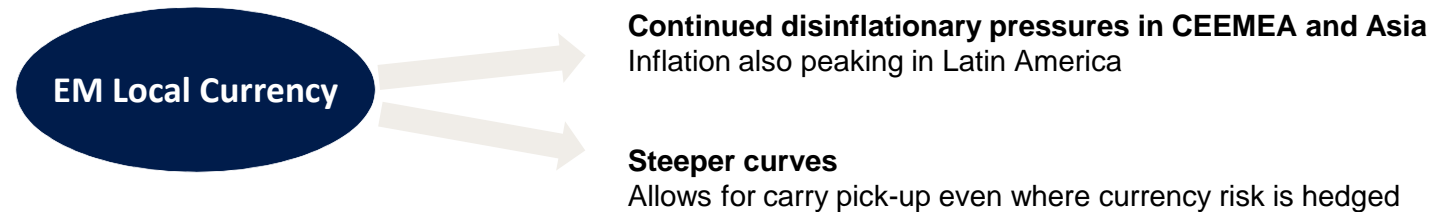
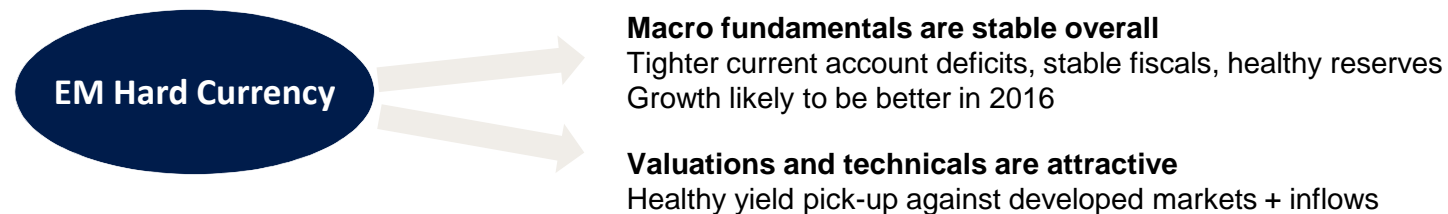
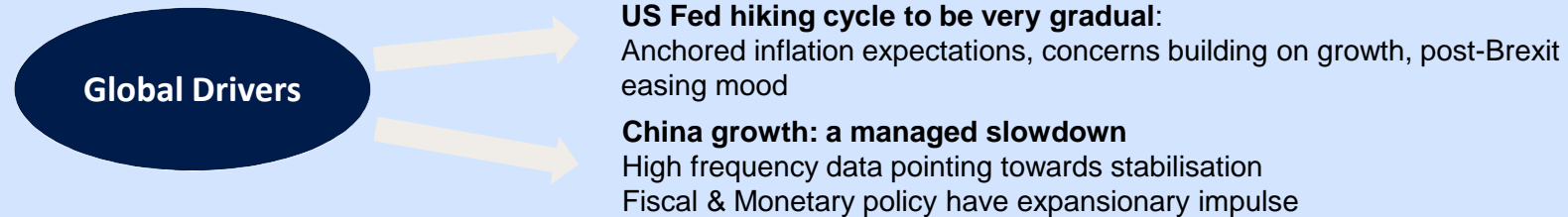
\*US rate-events are defined as either a 5bp increase in US 10yr or a 3bp increase in 1yr US swap rates

## Key risk: buildup of corporate debt – but the details matter. All eyes on China

- The bulk of corporate debt has been issued out of China
- Excluding China corporate debt, EM corp debt has been stable since 2012
- FX-denominated debt amongst EM sovereigns is very limited
- Many countries in EM, especially in CEE have seen strong deleveraging since 2009

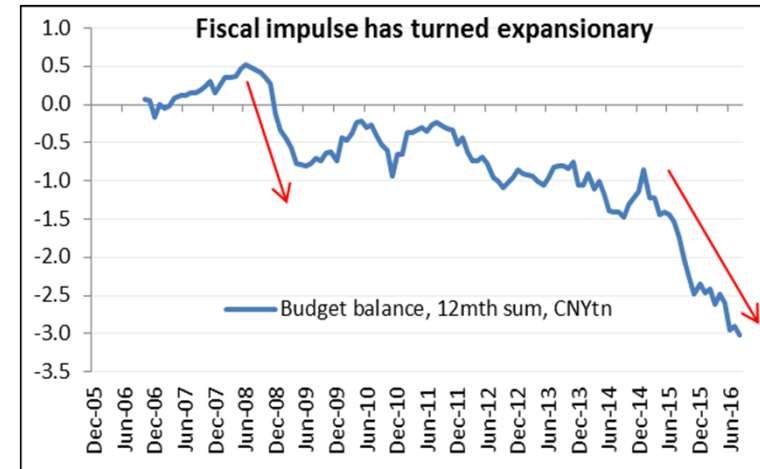
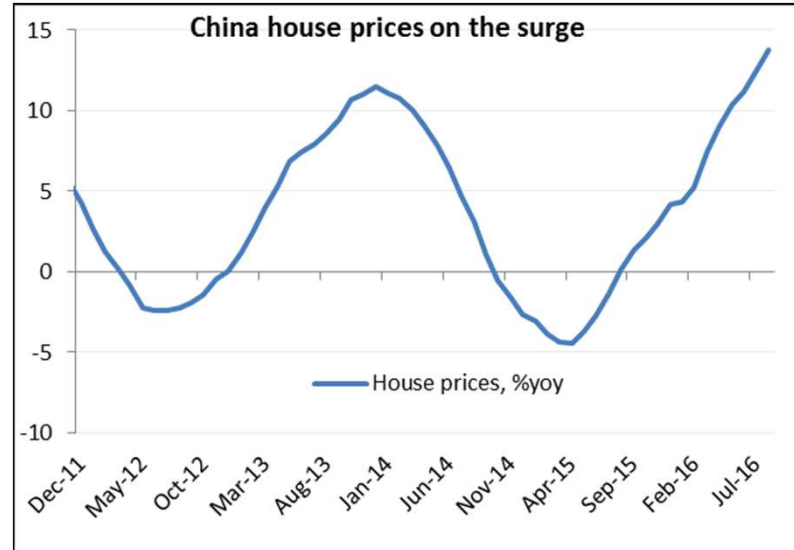


## EMD Cross-Asset View



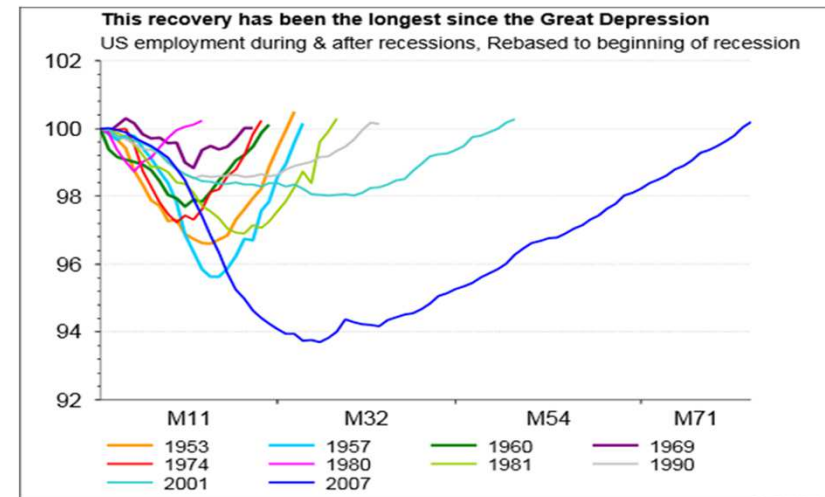
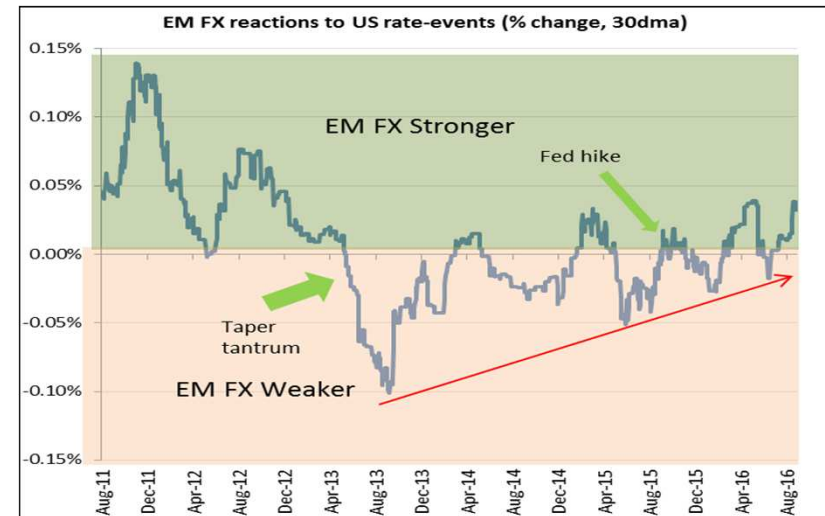
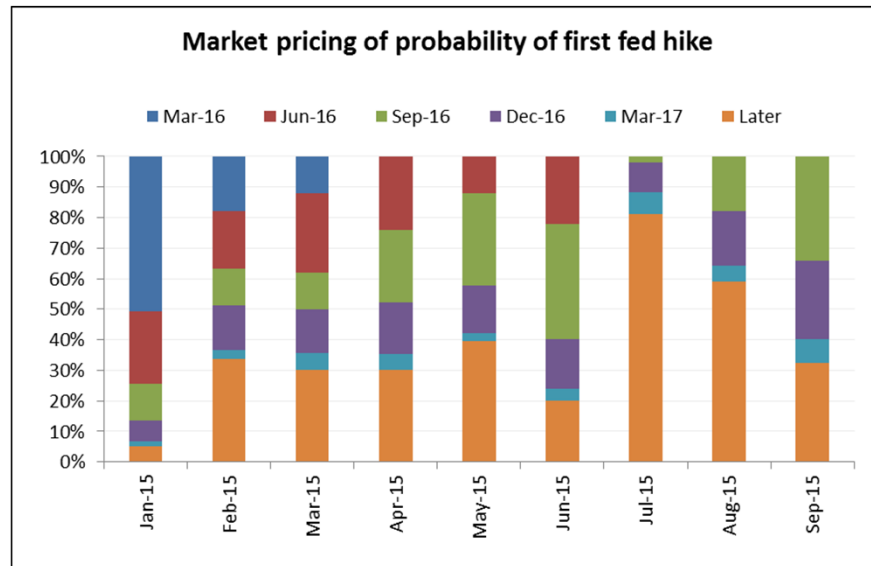
## China: Cyclical stabilisation, long-term concerns, with structural defenses

- Macro indicators in China have stabilised this year
- Upside surprise to growth for 2016 is on the cards
- But leverage has continued to increase at a strong pace
- Domestic-dominated and quasi-dominated nature of debt provide sources of support for any deleveraging process in China



## Fear of the Fed: contained by global data dependence

- Fear of the Fed remains on market's mind
- But the Fed is increasingly constrained
- By global data and financial market reactions
- As well as by domestic data losing steam
- In any case, EM assets are becoming less responsive to Hawkish US rate surprises





## EM has had a stellar year so far, but there's more left in the rally

### ■ Inflows likely to remain strong

- Global asset allocation is underweight EM – room for more structural inflows
- Yield desert in developed markets – EM is the oasis

### ■ Valuations

- Valuations in EM are far from stretched
- EM real yield differentials vs. DM are at multi-annual highs
- Sovereign spreads have room for further tightening

### ■ Fundamentals

- Growth has stabilised in EM. Differential vs. DM likely to widen
- External vulnerabilities declining rapidly in EM amid reserve buildup
- Current account balances at a multi-annual high in EM on average
- Flexible exchange rates as a new automatic stabiliser for fundamentals in event of external shocks

## Our current key top-down views

- Overweight EM Hard Currency Sovereign and Corporate
  - Picks within “pockets of value”: Russia credit on strong technicals; Indonesia on economic reform
  - Picks within “special situations”: Argentina sovereign and municipal bonds; Brazil complex on distressed valuations
  - Closed previously “safe haven” CEE trade on Brexit and tight valuations
  - Back to neutral on Turkey from previous underweight after downgrade to High Yield
- Selective overweight Local Currency Bonds in countries where adjustment has taken place and where disinflationary pressures are in the pipeline (Brazil, Russia and Indonesia).
- Broadly neutral on EM FX. Overweight mostly in RUB, BRL and IDR funded by underweight Asian currencies exposed to China devaluation (CNH, KRW, TWD, THB) and disinflationary currencies (ILS, HUF, SGD)



## EMD views: Market risks

- i) **China Growth** – Chinese growth is slowing, the question is how sharply? We expect a soft-landing, but a hard landing would pose serious risk to external demand for Asia, and could exacerbate the woes of commodity exporting countries in Africa and Latin America. China corporate debt cycle is key to watch
- ii) **Brexit** – Impact on global growth and concerns about long term viability of the European Union
- iii) **Oil prices: lower for longer** - Adds to disinflationary pressures in G3 and keeps real lending rates elevated. Plus risk of contagion from oil-exporting EM economies.
- iv) **Fed policy** – The prospect of sharper tightening by Fed compared to market expectations is a headwind to EM – particularly FX, which reacts strongly to the front-end of US rates
- v) **Persistent disinflation** - The inability of ECB and BoJ to reflate their economies would put pressure on GDP growth in major economies.
- vi) **Geopolitics** – The conflicts in the Middle East pose a continued challenge to risk sentiment
- vii) **Domestic politics** – Uncertainty in Turkey (coup fallout + geopolitics), Brazil (ongoing corruption investigation + congressional gridlock) & South Africa (Zuma unpopularity).

## ■ Country exposure

Credit - Emerging Country		
Govies/ Corp		GenS
Emerging Coutries		395
LATAM		241
ARGENTINA		190
BRAZIL		154
COLOMBIA		-10
COSTA RICA		-22
DOMINICAN REPI		-6
ECUADOR		-8
EL SALVADOR		-14
JAMAICA		-18
MEXICO		44
PERU		-14
URUGUAY		-13
VENEZUELA		17
EUROPE		74
ARMENIA (ARM)		1
AZERBAIJAN		2
BELARUS (BLR)		1
CROATIA		-3
HUNGARY		0
KAZAKHSTAN		-2
LATVIA (LVA)		3
POLAND		-6
RUSSIA		80
SERBIA (SER)		-4
TURKEY		23
UKRAINE		-10
ME Africa		5
ANGOLA		8
BAHREIN		21
EGYPT		-1
GABON		-5
GHANA		6
IVORY COAST		-6
LEBANON		-31
NAMIBIA (NAM)		28
NIGERIA		6
OMAN		6
SAUDI ARABIA (S)		-4
SOUTH AFRICA		6
TUNISIA		0
UNITED ARAB EM		9
ZAMBIA		-7
ASIA		46
CHINA		3
INDIA		-2
INDONESIA		68
KOREA		5
MALAYSIA		-11
MONGOLIA (MNG)		2
PHILIPPINES		-14
SINGAPORE		1
SRI LANKA		-1
VIETNAM		3

## ■ Key Rate Modified Duration by Region

Rates - Main EM										
MD c.		Rate risk maturity pillars								
+ ▲		Total	Liq	2Y	5Y	7Y	10Y	15Y	20Y	30Y
		MD c. (P-RMD c.	(P-RMD c.	(P-RMD c.	(P-RMD c.	(P-RMD c.	(P-RMD c.	(P-RMD c.	(P-RMD c.	(P-RMD c.
+ Total		66	6	-9	15	-22	72	11	-16	7
+ EUR		65	5	11	10	-1	17	11	7	5
+ USD		-102	0	-22	-18	-54	31	-19	-22	2
+ Mutual funds		34			12	19	3	0		
- EE		17	0	2	9	6				
+ RSD		16		1	9	6				
+ RUB		0	0	0						
- Latam		16	0	1	3	7	5			
+ BRL		16	0	1	3	7	5			
- Asia		32				0	16	15		
+ IDR		15				0	15			
+ MYR		16						15		

Might not correspond to real position of an existing portfolio and is included for informative purposes only

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