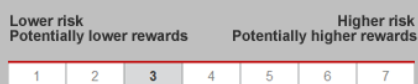


### Investment objective and policy

The objective of the Fund is to provide a long-term capital appreciation and to outperform its Benchmark investing in a portfolio of USD-denominated bonds. The Fund shall essentially invest in USD-denominated debt securities having an Investment Grade Credit Rating issued by governments, government agencies, supra-national and corporate issuers in Asia excluding Japan. In any case, no purchases of rated investments with credit rating below B- for Standard & Poors or B3 for Moody's or B- for Fitch or an equivalent credit rating by a recognised credit rating agency are allowed. In the event of downgrade below the above mentioned credit rating, a maximum of 3% of the Fund's net assets may be held in such investments. The Fund may use financial instruments and derivatives for hedging purposes, for efficient portfolio management purposes and for investment purposes.

### Category and Risk profile

Category: Bond fund



### Key data

**Mgmt. co.:** Generali Investments Luxembourg S.A.  
**Investment manager:** Generali Investments Europe S.p.A. Società di gestione del risparmio  
**Sub-fund manager(s):** Selina Tsang/Manish Kumar  
**Benchmark:** J.P. Morgan Asia Credit IG Index  
**Fund type:** SICAV  
**Domicile:** Luxembourg  
**Launch of sub-fund:** 17/02/2014  
**Launch of share class:** 19/02/2016  
**First NAV date after dormant period:** no dormant period  
**Currency:** USD  
**Custodian:** BNP Paribas Securities Services S.C.A.  
**ISIN:** LU1350416613  
**Bloomberg code:** GISACDX LX

### Valuation

**AuM:** 404.90 mil USD  
**NAV per share:** 104.24 USD  
**Highest NAV over the last 12 months:** 105.54 USD  
**Lowest NAV over the last 12 months:** 101.99 USD

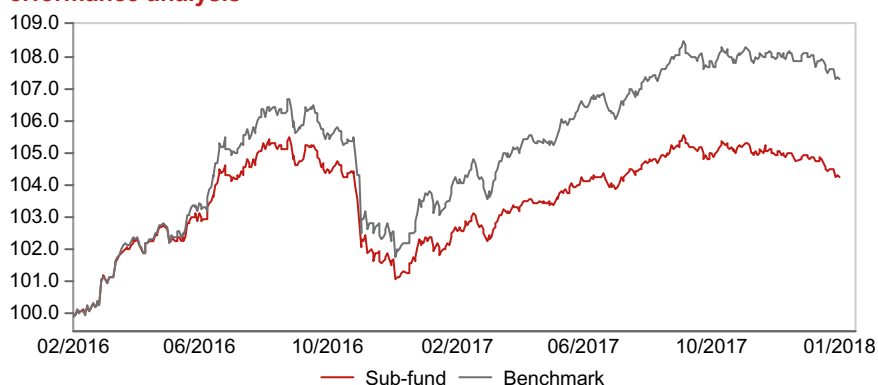
### Fees

**Subscription fee:** max. 5%  
**Management fee:** 1.20%  
**Conversion fee:** max. 5%  
**Redemption fee:** max. 1%  
**Performance fee:** n.a.  
**Ongoing charges:** 1.50%

### Dealing details for professional investors

**Cut off time:** T-1 at 1 pm (T being NAV date)  
**Settlement:** T+3  
**Valuation:** Daily  
**NAV Calculation:** T (T-1 end of day close)  
**NAV Publication:** T

### Performance analysis



### Performance

	1 month	3 months	YTD	1 year	3 years	5 years	3 years p.a.	5 years p.a.
Sub-fund	-0.63 %	-0.95 %	-0.63 %	2.21 %	-	-	-	-
Benchmark	-0.74 %	-0.77 %	-0.74 %	3.88 %	-	-	-	-

	Since inception	2017	2016	2015	2014	2013
Sub-fund	4.24 %	3.33 %	-	-	-	-
Benchmark	7.28 %	5.46 %	-	-	-	-

	Q04/2016- Q04/2017	Q04/2015- Q04/2016	Q04/2014- Q04/2015	Q04/2013- Q04/2014	Q04/2012- Q04/2013
Sub-fund	3.33 %	-	-	-	-
Benchmark	5.46 %	-	-	-	-

### Bond Analysis

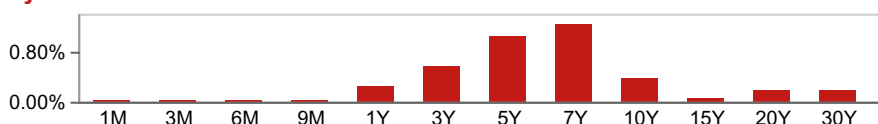
	Sub-fund
Effective Duration	4.16
Yield to Maturity	3.89
Option Adjusted Spread	123.87
Equity Delta	-
Average maturity	5.57
Average rating (bonds)	BBB
% of non-investment grade bonds	-

### Statistics

Annualized Standard Deviation*	1.49
Annualized Tracking Error*	0.69
Sharpe Ratio*	-8.89
Information ratio*	-2.60
Value at Risk (20 days, 99%)	1.18

\*calculated over a 1-year period

### Key rate durations



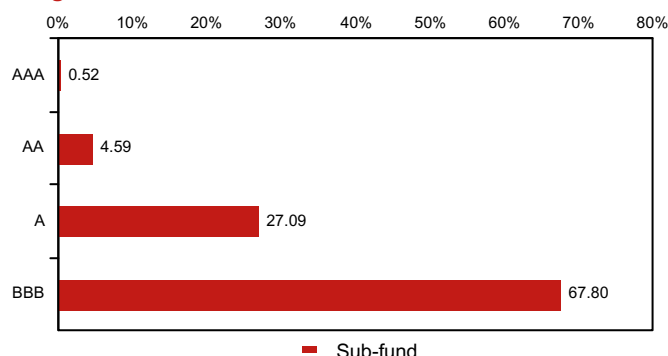
### Key features

- Invests in government agencies, supra-national and corporate issuers in Asia, excluding Japan
- Aims to provide long-term capital appreciation through diversified exposure to emerging debt markets

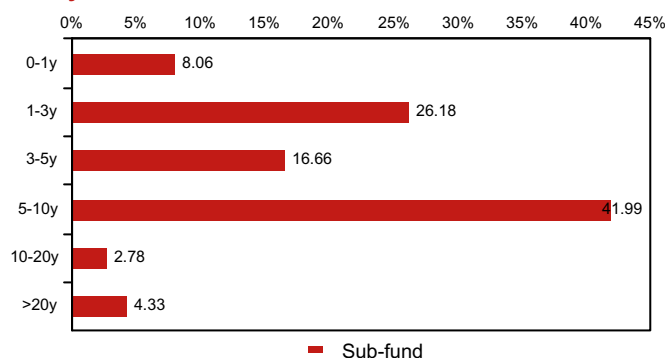
### Breakdown by asset class

Asset class	Sub-fund
Corporates	88.91 %
Sovereign	10.30 %
Cash	0.79 %

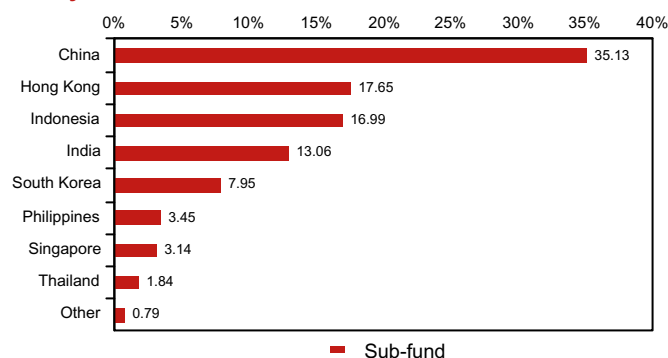
### Rating breakdown



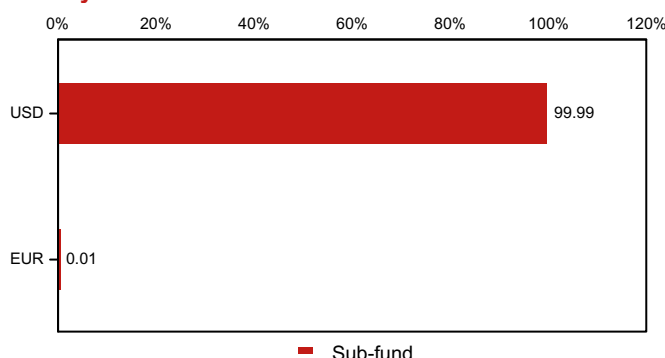
### Maturity breakdown



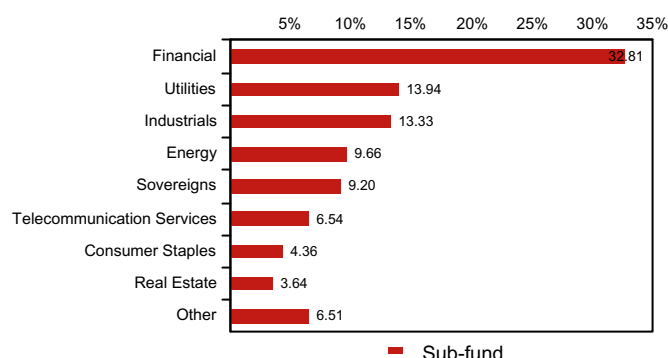
### Country breakdown



### Currency breakdown



### Sector breakdown



### Top 10 holdings (absolute weights)

Government Of Indonesia	5.875%	13-mar-2020
Bharti Airtel International (netherlands) Bv	5.35%	20-may-20...
Haitong International Finance Co. Ltd.	3.95%	29-oct-2018
China State Construction Finance (cayman) I Ltd.	3.125%	02-a...
Prosperous Ray Ltd.	4.625%	12-nov-2023
Ongc Videsh Ltd.	4.625%	15-jul-2024
Talent Yield Investments Ltd.	4.5%	25-apr-2022
China Overseas Finance (cayman) Iii Ltd.	5.375%	29-oct-2023
Pt Perusahaan Gas Negara (persero) Tbk	5.125%	16-may-2024
Pt Pelabuhan Indonesia Ii Persero	4.25%	05-may-2025

Sector	Weight %	Rating
Sovereigns	3.22	BBB-
Telecommunication Services	2.78	BBB-
Financial	2.76	BBB
Industrials	2.75	BBB
Consumer Staples	2.62	A-
Energy	2.34	BBB-
Utilities	2.33	BBB+
Financial	2.03	BBB+
Utilities	2.01	BBB-
Industrials	1.89	BBB-

## **Fund Manager Comment**

### **Market View**

The US maintained the status quo on Fed Fund rates as the FOMC meeting was largely seen as non-event. But the committee expressed confidence in increasing US growth and meeting the inflation target in 2018. What led to a shift in the yield curve in the US, however, firstly, the higher than expected borrowing announced by the US treasury in first quarter, secondly, Treasury secretary's Mnuchin's remark on USD and the potential of it remaining lower and finally the higher fiscal deficit expectation denting the growth prospects in the US.

Asian credits were certainly affected and traded sideways driven by a mix of news from the US and a possible 'wait and watch' period before the Chinese New Year. China, Hong Kong and India were big underperformers. The spreads however compressed by 2 bps month on month, led by Indonesian bonds. The primary issuances were by no means drier but largely underperformed. We saw some first time issuers and quality Investment Grade (IG) names from India and China.

The year has started off with a correction in USD assets. We think such a re-pricing could give us an opportunity to accumulate better quality assets at attractive prices.

### **Portfolio Activity**

In January, we exited our position in Malaysia totally to make way for higher yielding assets on relative terms. We also sold off near-maturing Chinese property and Korea Telecom bonds to meet redemption requirements. Furthermore, we also trimmed our exposure to India and in particular the Indian Financial sector on valuation concerns. At the same time, the banking NPA in India showed no signs of tapering. As a conscious idea to move away from Indonesian state owned companies (SOEs) names, we traded out of government owned port company and bought into a private sector utility company. We have been consolidating our position here on better relative value. We continued to reduce our China underweight. We built some position into fundamentally solid onshore property company, which was relatively less leveraged and depended on higher stable rental incomes and less acquisition appetite. All the purchases were mostly around belly tenors keeping without changing our duration underweight as much.

The fund outperformed due to better curve positioning, duration underweight and interest rate hedging. As the broader market lost across the curve due to rising UST yields, especially 7Y to 10Y curve, the fund outperformed being underweight benchmark. At the same time the fund outperformed in 3Y to 7Y tenors where it was overweight. The sheer pace of correction in Asian USD Investment Grade credit, in general, was due to the ever tightening valuation, the rising UST yields and a weakening US dollar. The market seemed to come to terms with considering the perils of overpricing USD assets as US inflation and the US growth outlook improved.

Overall at the portfolio level, the fund was still overweight (compared to its benchmark) in India, Hong Kong and Indonesia.

### **Outlook**

With the US tax reform out of the way, the US trade policies along with the Fed's normalising of interest rates & balance sheet reduction could pose headwinds for Asian government bond market. Within Asia, China's financial deleveraging process and maintaining liquidity in the system, simultaneously, could be another challenging aspect. The overall gross supply could be higher (especially High Yield) compared to the previous year but could remain supportive on a net basis. In terms of portfolio positioning, we will continue to actively manage our exposure to credit risks, as well as accruals, duration and yield curve positioning so as to protect our portfolio against short-term rate volatility.