

AMUNDI FUNDS ABSOLUTE VOLATILITY EURO EQUITIES - IE

MONTHLY
REPORT

31/05/2017

ABSOLUTE PERFORMANCE

Key information (source : Amundi)

Net Asset Value (NAV) : (A) 1,337.84 (EUR)
(D) 878.72 (EUR)

NAV and AUM as at : 31/05/2017

Assets Under Management (AUM) :
1,840.24 (million EUR)

ISIN code : (A) LU0272941112
(D) LU0272941385

Bloomberg code : CAVEQAI LX

Benchmark : None

Investment Objective

The sub-fund aims to achieve a positive return in any type of market condition (absolute return strategy). Specifically, the sub-fund seeks to outperform (after applicable fees) the EONIA (compounded daily) index + 3% a year over any given 3- year period, while offering controlled risk exposure.

Risk & Reward Profile (SRRI)



Lower risk, potentially lower rewards

Higher risk, potentially higher rewards

The SRRI represents the risk and return profile as presented in the Key Investor Information Document (KIID). The lowest category does not imply that there is no risk. The SRRI is not guaranteed and may change over time.

Returns

Performance evolution (rebased to 100) * from 31/05/2007 to 31/05/2017



Cumulative returns *

	YTD	1 month	3 months	1 year	3 years	5 years	Since
Since	30/12/2016	28/04/2017	28/02/2017	31/05/2016	30/05/2014	31/05/2012	14/11/2006
Portfolio	-8.46%	-0.33%	-4.82%	-9.06%	-1.48%	-18.96%	33.79%

Calendar year performance *

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Portfolio	0.81%	3.35%	-0.42%	-10.39%	-1.20%	3.15%	7.67%	6.55%	23.48%	6.06%

Monthly performance *

	January	February	March	April	May	June	July	August	September	October	November	December	Year
2017	-2.75%	-1.10%	-3.96%	-0.57%	-0.33%	-	-	-	-	-	-	-	-8.46%
2016	1.84%	0.95%	-1.76%	0.88%	-0.41%	3.06%	-1.08%	-0.50%	-0.45%	0.08%	-0.99%	-0.71%	0.81%
2015	0.62%	-2.69%	0.86%	0.08%	-0.44%	2.09%	-1.07%	2.81%	0.99%	-0.59%	0.04%	0.70%	3.35%
2014	0.54%	-1.54%	0.20%	-1.15%	-1.68%	-0.60%	1.10%	-0.55%	0.12%	0.65%	-0.16%	2.74%	-0.42%
2013	-4.14%	0.44%	0.23%	-0.67%	0.26%	0.55%	-1.52%	0.94%	-1.99%	-3.07%	-0.59%	-1.25%	-10.39%
2012	0.65%	-0.39%	-0.38%	1.61%	2.24%	-1.17%	0.30%	-0.28%	-1.24%	-1.50%	-1.45%	0.49%	-1.20%
2011	-0.67%	-1.68%	1.32%	-1.02%	-0.01%	0.25%	1.18%	2.76%	-1.96%	1.12%	-0.09%	2.03%	3.15%
2010	-0.80%	0.17%	-0.97%	2.80%	4.80%	0.50%	0.37%	0.70%	0.19%	-0.66%	0.93%	-0.47%	7.67%
2009	0.44%	1.21%	-1.42%	3.47%	2.15%	0.71%	0.40%	0.37%	0.11%	0.23%	-0.14%	-1.09%	6.55%
2008	5.62%	1.73%	1.40%	-3.39%	1.81%	1.08%	0.27%	0.57%	6.54%	-4.42%	3.50%	7.26%	23.48%

* Source : Amundi. The above results pertain to full 12-month period per calendar year. All performances are calculated net income reinvested and net of all charges taken by the Sub-Fund and expressed with the round-off superior. Past performance is not a reliable indicator of future performance. The value of investments may vary upwards or downwards according to market conditions.

Exposure grid (Vega)

Implied volatility 1 Year	Vega*
>35%	-1 with +/-1
30%-35%	-0.5 with +/-1
25%-30%	0 with +/-1
20%-25%	+1 with +/-1
15%-20%	+2 with +/-1
<15%	+3 with +/-1

The Exposure grid is indicative. Fund managers have a +1/-1 discretion to the exposure grid. The grid may be reviewed from time to time depending on changes in the environment.

* Vega exposure: measures sensitivity of the fund for every 1% change in implied volatility

Risk analysis (rolling)

	1 year	3 years	5 years
Portfolio volatility	5.90%	5.21%	4.95%
Sharpe ratio	-1.47	-0.06	-0.82

Performance analytics

	Inception to date
Maximum drawdown	-19.67%
Worst month	10/2008
Lowest return	-4.42%
Best month	12/2008
Highest return	7.26%

**Gilbert Keskin**Co-Head of Volatility & Convertible
Bonds**Eric Hermitte**Co-Head of Volatility & Convertible
Bonds

Management commentary

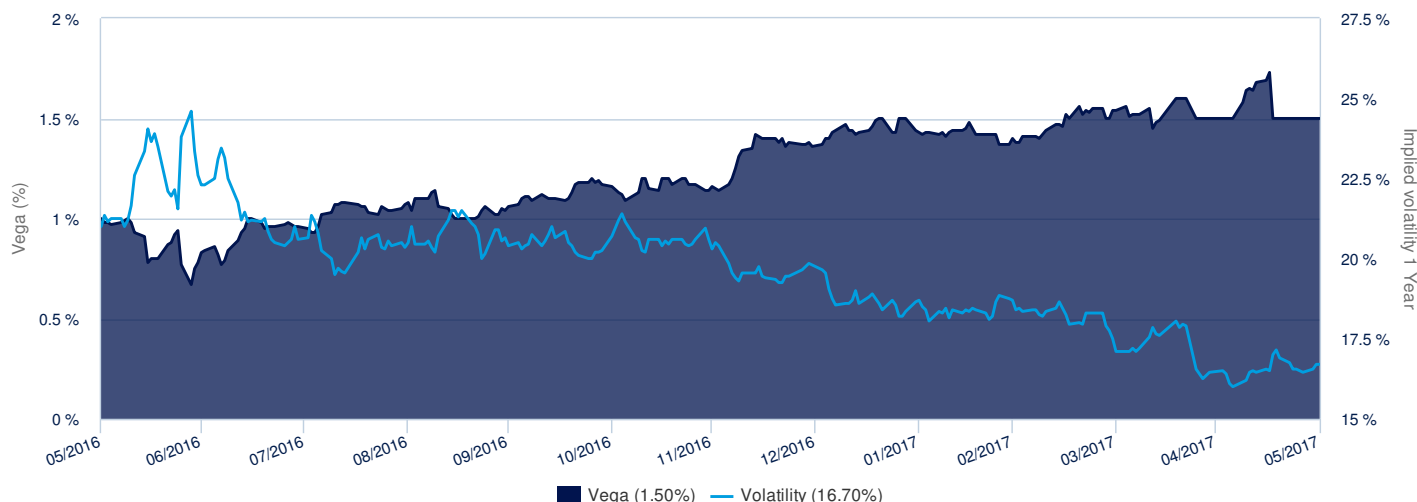
In May equity markets remained sluggish once again, with only one agitated day in the middle of the month following increased political uncertainties on the other side of the Atlantic. On the 17th of May, the US market lost close to 2% while European equity markets shed around 1.5%. Despite this epiphenomenon, realised volatilities remained extremely low across all markets (the realised volatility of the Euro Stoxx 50 stood at 9.5% over the month). In Europe, the rise of equity markets can mainly be explained by dividends (+1% for the Euro Stoxx 50, +1.4% for the S&P 500 and +2.35% for the Nikkei 225). In this quiet environment, the demand for options (whether Call or Put options) and hence the purchase of volatility remains very low. The bulk of the flows coming from investors was concentrated on the sell side regarding short term options to capture the premium. This led to downward pressure on short term implied volatilities. Thus, the VSTOXX lost again 2.5 points over the month, trading below 15%, i.e. a historically low level. The 1-year implied volatility, on the other hand, resisted better and marginally increased to 16.7% (+0.25 points).

The directional engine thus had a positive contribution in May (+0.39%) with an average sensitivity of 1.55 over the month. Our portfolio of options did not reflect this rise as the losses attributed to the second engine more than offset the gains coming from the first engine. Indeed, over the month the active management did not allow to compensate the costs of maintaining our long Vega position. Depressed realised volatilities coupled with a very steep volatility term structure (i.e. implied volatilities of long-term maturities higher than those for short-term maturities) lead to a very difficult environment for the management of our positions.

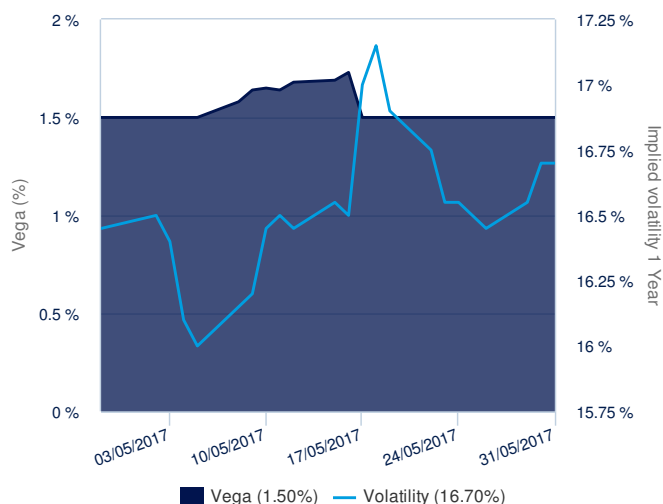
Our sensitivity to the 1-year implied volatility (Vega) is maintained at 1.5. We increased our exposure to 1.73 before taking some profits during the volatility rebound that occurred in the middle of the month. We took advantage of this small increase in volatility to sell our residual December 2017 position, keeping only the pillars June 2018 and December 2018. Our average maturity is thus slightly longer than one year, as this allows to reduce the costs of replication. We also took advantage of the richening of the skew on the "put side", i.e. downward strikes, to restructure some of our options closer to the spot level.

We still believe that the second half of the year should be more bumpy than the first one; after the strong equity market rally, we may see some profit taking, which could generate some stress. The levels achieved by the volatilities across all markets leave little room for a further decrease, the risk thus being totally asymmetrical. However, if no factor triggers risk aversion, the strategy will continue to suffer from negative carry.

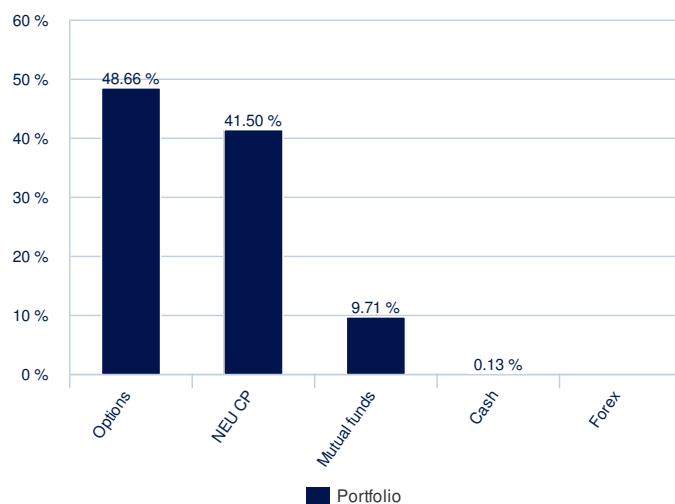
Vega and implied volatility evolution during the last 12 months



Vega and volatility evolution during the month



Breakdown by instrument type





Performance contribution

	Performance		1 yr Implied volatility			Gross Performance Contribution	
			Start	End	Average Vega	Engine 1 : Directionnal ¹	Engine 2 : Vol of vol ²
YTD 2017	-8.46%	YTD 2017	19.80%	16.70%	1.48%	-4.59%	-3.56%
May 2017	-0.33%	May-2017	16.45%	16.70%	1.55%	0.39%	-0.65%
April 2017	-0.57%	Apr-2017	17.10%	16.45%	1.53%	-0.99%	0.49%
March 2017	-3.96%	Mar-2017	18.70%	17.10%	1.47%	-2.35%	-1.54%
2016	0.81%	2016	21.00%	19.80%	0.92%	-1.10%	2.79%
2015	3.35%	2015	20.30%	21.00%	0.99%	2.04%	2.06%
2014	-0.42%	2014	17.50%	20.30%	1.35%	3.83%	-3.03%
2013	-10.39%	2013	21.70%	17.50%	1.09%	-4.31%	-5.36%
2012	-1.20%	2012	28.05%	21.70%	0.61%	-1.72%	1.01%
2011	3.15%	2011	24.05%	28.05%	0.35%	-3.67%	7.80%
2010	7.67%	2010	24.30%	24.05%	0.46%	1.76%	7.17%
2009	6.55%	2009	34.80%	24.30%	-0.13%	1.13%	6.07%
		2008	20.30%	34.80%	0.50%	5.70%	18.54%

¹ Directional 1: Calculated monthly as follows: (Implied Volatility End – Implied Volatility Start) * Average Vega

² Vol of Vol 2: Calculated monthly as follows: Gross Return – Other Engines. Includes replication and carry costs.

Information

Fund structure	UCITS
Applicable law	under Luxembourg law
Fund Manager	Amundi Luxembourg SA
Delegated Management Company	Amundi Asset Management
Custodian	CACEIS Bank, Luxembourg Branch
Share-class inception date	13/11/2006
Share-class reference currency	EUR
Type of shares	(A) Accumulation (D) Distribution
ISIN code	(A) LU0272941112 (D) LU0272941385
Minimum first subscription / subsequent	500000 Equivalent in EUR of USD / 1 thousandth(s) of (a) share(s)
Frequency of NAV calculation	Daily
Dealing times	Orders received each day D day before 14:00
Entry charge (maximum)	2.50%
Maximum direct annual management fees including taxes	0.70% IAT
Maximum indirect annual management fees including taxes	-
Performance fees	Yes
Maximum performance fees rate (% per year)	20 %
Performance fees details	EONIA (compounded daily) index + 3%
Exit charge (maximum)	0%
Ongoing charge	0.91% (realized) - 25/10/2016
Minimum recommended investment period	3 years
Benchmark index performance record	14/11/2006: None

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