

AMUNDI FUNDS EQUITY BRAZIL - AE

MONTHLY
REPORT

31/05/2017

EQUITY ■

Key information (source : Amundi)

Net Asset Value (NAV) : **61.89 (EUR)**
NAV and AUM as at : **31/05/2017**
ISIN code : (A) **LU0557854733**
(D) **LU0557854816**
Assets Under Management (AUM) :
17.36 (million EUR)
Sub-fund reference currency : **USD**
Share-class reference currency : **EUR**
Benchmark : **100% MSCI BRAZIL 10/40**
Morningstar Overall Rating © : **3 stars**
Morningstar Category © : **BRAZIL EQUITY**
Number of funds in the category : **91**
Rating date : **30/04/2017**
Last coupon date : **EUR**

Investment Objective

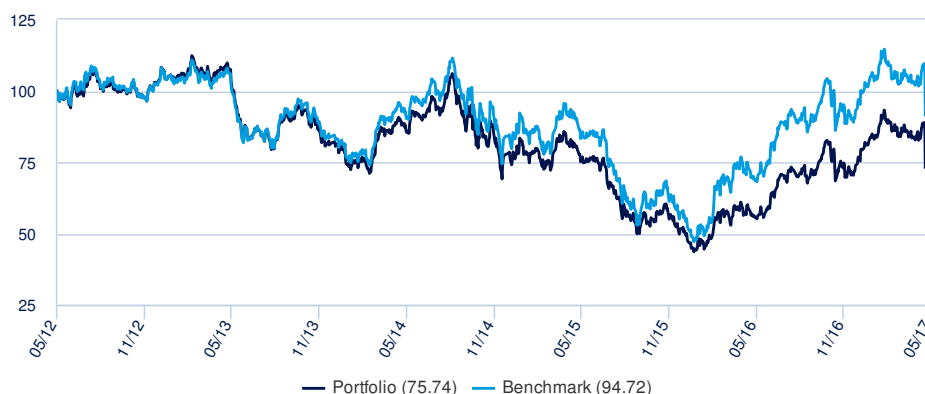
Betting on Brazil, the leading economy in Latin America, the investment team aims to capture the growth potential of the country's natural resources and internal demand. Using a tested investment process (in-depth fundamental analysis, arbitrating prospects vs. valuation vs. risks, medium term investment horizon, risk diversification), the investment team seeks to identify the best opportunities within a large universe of stocks by adding value on both sector allocation and stock picking.

Information

Fund structure : **UCITS**
CNMV code : **61**
Sub-fund launch date : **06/03/2008**
Share-class inception date : **22/11/2010**
Eligibility : -
Type of shares : (A) **Accumulation**
(D) **Distribution**
Minimum first subscription / subsequent :
1 thousandth(s) of (a) share(s) / 1
thousandth(s) of (a) share(s)
Entry charge (maximum) : **4.50%**
Ongoing charge : **2.71% (realized 30/06/2016)**
Exit charge (maximum) : **0%**
Minimum recommended investment period : **5 years**
Performance fees : **Yes**

Returns

Performance evolution (rebased to 100) * from 31/05/2012 to 31/05/2017



Cumulative returns *

Since	YTD	1 month	3 months	1 year	3 years	5 years	Since
30/12/2016	28/04/2017	28/02/2017	31/05/2016	30/05/2014	31/05/2012	24/02/2012	
Portfolio	-0.31%	-9.12%	-14.54%	37.41%	-11.47%	-24.26%	-37.70%
Benchmark	-1.55%	-7.29%	-13.36%	39.08%	4.89%	-5.28%	-21.28%
Spread	1.24%	-1.83%	-1.18%	-1.67%	-16.36%	-18.97%	-16.42%

Calendar year performance *

	2016	2015	2014	2013	2012
Portfolio	48.16%	-34.73%	-4.46%	-20.94%	-
Benchmark	70.17%	-33.22%	0.16%	-18.18%	-
Spread	-22.01%	-1.51%	-4.63%	-2.77%	-

* 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.

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.

Fund statistics

Total portfolio holdings 60

Top ten issuers (% assets)

	Portfolio
BANCO BRADESCO SA	9.29%
PETROLEO BRASILEIRO SA	8.44%
INVESTIMENTOS ITAU SA	6.99%
BRADSPAR SA	5.41%
BANCO DO BRASIL SA	5.29%
BB SEGURIDADE PARTICIPACOES	5.15%
BM&FBOVESPA SA	5.13%
CIA BRASILEIRA DE DISTRIBUICAO	3.48%
ITAU UNIBANCO HOLDING SA (BRA)	2.80%
BRF SA	2.57%
Total	54.54%

Volatility

	1 year	3 years	5 years
Portfolio volatility	29.66%	32.18%	28.36%
Benchmark volatility	30.20%	34.98%	30.33%

Volatility is a statistical indicator that measures an asset's variations around its average value. For example, market variations of +/- 1.5% per day correspond to a volatility of 25% per year.

Management commentary

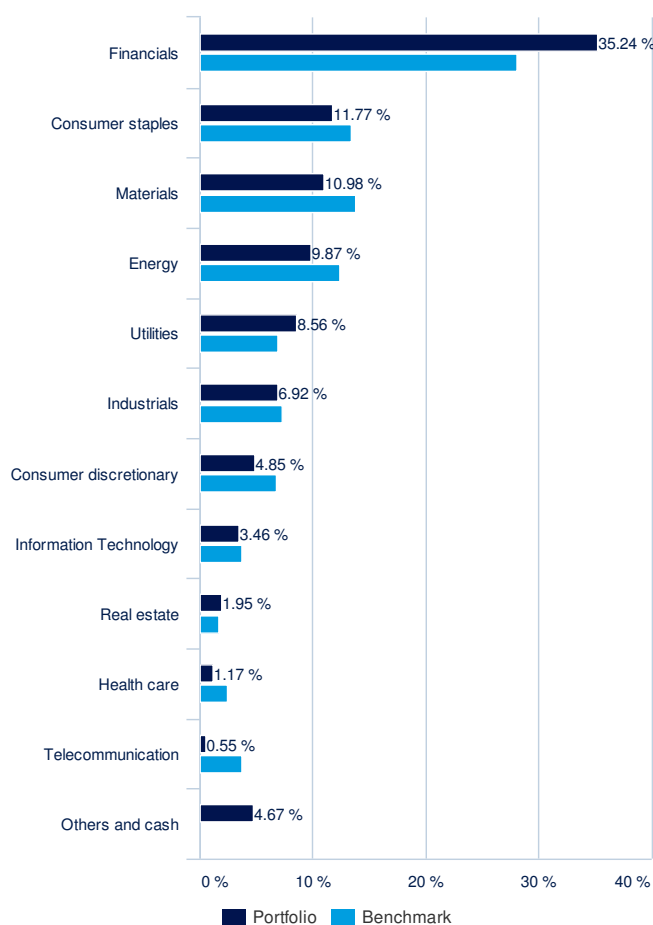
Although global equity markets had another good month in May, with developed and emerging markets up respectively 2.1% and 3% in USD, Brazil's MSCI 10/40 stock market index tumbled 4.3%, strongly underperforming its regional and global peers. Indeed, a new political crisis unravelled in Brazil putting into question President Temer's term and the feasibility of the pension reform. A taped conversation between Temer and Joesley Batista, the Chairman of protein producer JBS, allegedly implicates Mr. Temer in corruption wrongdoings. Calls for the President's resignation were widely heard but Mr. Temer went on national television denying any wrongdoing. Prior to the crisis, expectations were for a 125bp cut, but the monetary authority delivered a 100bp cut, bringing the policy rate to 10.25%. On the data front, Brazil showed soft results for March on industrial production, retail and services, yet economic activity ended 1Q with meaningful quarterly growth while unemployment started to show signs of stabilization. J&F, JBS's controlling company, set a plea bargain agreement and will pay a penalty of R\$10.3 billion over 25 years. JBS will not pay anything. JBS's Chairman J. Batista resigned from his post and was replaced by an industry professional.

The fund underperformed its index in May. Sector allocation was mainly hit by our overweight stance on banks and underweight position on consumer staples. However, the main detractor in the month was stock picking, as a result of overweighting protein producer JBS and banks. In the month, we mainly raised Banco Bradesco against Banco Itau on valuation arbitrage. We also trimmed exposure to Petrobras (expectation of oil price weakness) and JBS due to stock specific risks. We also continued to raise consumer staples (supermarket operator Pao de Acucar and pharmacy chain Raia Drogasil) on attractive valuations and prospects.

The new political crisis makes us more cautious in the short term. Risks of a watered down pension reform this year or, possibly, no significant pension reform before 2019, have increased, although we acknowledge government's efforts and some support from Congress to maintain a reforms agenda alive. Further country risk re-rating is unlikely in the short term unless additional measures are implemented to turn the country's fiscal anchor more trustable. We continue to believe that the currency should be, at best, stable as political risk has resurged, commodity price momentum is still weakening and economic growth should only improve gradually. We continue to like banks after the May sell-off (as they should benefit from a softer headwind in the sense that interest rate decline should be softer going forward), including state-owned Banco do Brasil as we understand that the turnaround remains in place. Utilities, leveraged and cyclical companies (e.g. homebuilding, auto parts) are still our favourite plays on the economic recovery, falling inflation and interest rates. We have shifted part of our overweight on protein exporters to other industrial exporters to keep some FX protection. Although we have grabbed some selective entry points, overall domestic consumption stays underweight due to still weak short term fundamentals versus expensive valuations.

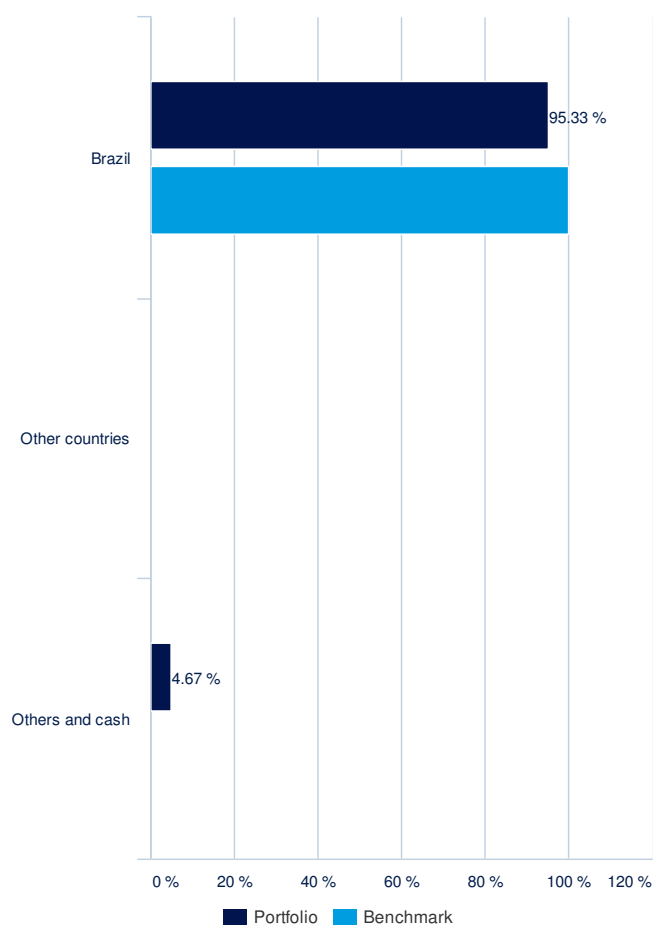
Portfolio breakdown

Sector breakdown



Excluding derivatives.

Geographical breakdown



Excluding derivatives.

Legal information

Amundi Funds is a UCITS organised as an open-ended investment company (société d'investissement à capital variable, "SICAV") under the laws of the Grand Duchy of Luxembourg, and is regulated by the Commission de Surveillance du Secteur Financier ("CSSF"). Number of registration RCS B68.806. AMUNDI FUNDS EQUITY BRAZIL, which is a sub-fund of Amundi Funds, has been authorised for public marketing in Spain by the Comisión Nacional del Mercado de Valores (CNMV). The issuer of this document is Amundi, 90 Boulevard Pasteur, 75730 Cedex 15 - France, registered in France under number GP 04000036, authorised and regulated by the Autorité des Marchés Financiers. This document is not a Prospectus. The offering of shares in Amundi Funds can only be made using the official Prospectus. The latest prospectus, the key investor information document ("KIID"), the articles of incorporation as well as the annual and semi-annual reports are available free of charge from the representative agent (Amundi Iberia SGICC, Paseo de la Castellana 1, 28046 Madrid, Spain), and on our website www.amundi.com. The latest available prospectus, more specifically on risk factors, as well as the KIID should be consulted before considering any investment. The data source of this document is Amundi except otherwise mentioned. The date of these data is indicated under the mention MONTHLY REPORT at the top of the document except otherwise mentioned. Warnings: Please read the Prospectus carefully before you invest. Remember that the capital value and the income from investments may go down as well as up and that changes in rates of exchange between currencies may have a separate effect also causing the value of the investments to decrease or to increase. Past performance is not necessarily a guide to future performance. Investors may not get back the amount they originally invested. Investors should note that the securities and financial instruments contained herein may not be suitable for their investment objectives.

The Overall Morningstar Rating is a weighted average of the performance figures for its 3-, 5- and 10-yr (if applicable) Morningstar Rating metrics. Morningstar, Inc.® 2016. All Rights Reserved. The information, data, analyses and opinions ("Information") contained herein: (1) include the proprietary information of Morningstar; (2) may not be copied or redistributed; (3) do not constitute investment advice; (4) are provided solely for informational purposes; (5) are not warranted to be complete, accurate or timely; and (6) may be drawn from fund data published on various dates. Morningstar is not responsible for any trading decisions, damages or other losses related to the Information or its use. For more information about Morningstar ratings, see http://corporate.morningstar.com/fr/documents/MethodologyDocuments/FactSheets/MorningstarRatingForFunds_FactSheet.pdf