

Monthly Portfolio Update

*Amundi Funds II – Euroland Equity**

30 April 2018

EQUITY

COMMENTARY

Market Review

April was a positive month for the European equity market with the MSCI Europe adding over 4%. Looking sectorally, the recovery we saw in April was broad based with all 11 sectors in the green. Energy, Telecommunication Services, and Consumer Discretionary were among the top performers while Consumer Staples and Healthcare lagged.

Despite rising geopolitical tensions over Syria continuing to grab headlines and sending oil prices higher, investor sentiment rebounded in April. Poor performance in February and March resulted in more attractive valuations. What we saw in April was a notable uptick in M&A activity globally with some large scale acquisitions materialising. Year to date, global deal volume now sits at 1.7 trillion USD, which is back to pre-financial crisis highs - pointing to an improvement in business confidence across both geographies and industries. This, coupled with continued momentum in the underlying global economy helped to boost sentiment towards the asset class.

Furthermore, April marked the beginning of the Q1 reporting season for European corporates. Despite much talk about the impact of a stronger Euro, the Q1 earnings season for European companies has been quite encouraging thus far, with the median stock beating on EPS by 1.1%. So far, the best beats have come from Financials, Telecoms and Energy, while Staples and Industrials have disappointed. With the rebound that we have seen in April, valuations have once again returned to fuller levels, and for us, the delivery of earnings has now become ever more critical for the market to move higher from these levels. As always, within our Portfolio, we are continuing to focus on those idiosyncratic investment cases that we believe can deliver the required EPS growth through the cycle.

Portfolio Review

The Portfolio significantly outperformed its benchmark, the MSCI EMU, in April. At sector level the Portfolio had a positive contribution from Consumer Staples, Healthcare, and Energy. In contrast, the Portfolio lost some marginal ground within Industrials.

In Consumer Staples, our holding of French personal care company L’Oreal performed strongly. During the month, the company reported a set of encouraging Q1 numbers, which saw like-for-like growth of 6.4% with good performance across most key brands and geographies. Importantly, the company’s eCommerce division and the Travel Retail division both saw good top line acceleration, and given that these are higher margin areas, this should be positive for overall profitability.

The Portfolio lost some marginal ground within Industrials. Of our holdings, French construction company Saint Gobain detracted following the release of a somewhat uninspiring set of Q1 results. While revenues were broadly in line with consensus expectations, FX was a headwind during the quarter. Adverse weather conditions and calendar effects were a drag on volumes, however better pricing helped to protect margins. Commentary from management remained quite positive and we remain holders of the name at this point.

Within Healthcare, our holding of UK-listed pharmaceutical company Shire continued its recent strong performance. In April, Takida, a Japanese pharmaceutical company confirmed that it was intent on acquiring Shire and revised its initial offer, which was clearly supportive for Shire’s share price. In addition, our exposure to Dutch-listed health technology company Philips performed well following the release of an encouraging set of Q1 results that were ahead of consensus expectations. Organic sales growth came in at 5% during the quarter, while margin expansion was 1.3%, which was well received by investors. The results highlight a robust start to the year, which coupled with a reiteration of guidance allowed the share price to gain ground.

Energy was a source of positive performance for the Portfolio in April. The significant move higher in oil prices was clearly supportive for our holding of integrated Energy company Royal Dutch Shell, which rebounded from some recent underperformance. In addition, our holding of oil services company TechnipFMC was also a beneficiary of the higher oil prices.

The Portfolio gained ground within Information Technology. At stock level, our holding of IT consultancy company Cap Gemini continued to be a rewarding position. In April, the company reported a very strong set of Q1 results with solid revenue growth coming through. Looking regionally, the important U.S. market continued to outperform with growth accelerating to 15%, while the UK also improved significantly. This, coupled with an upbeat message surrounding the outlook for the rest of the year helped the share price to outperform.

Within Telecommunication Services, our holding of Deutsche Telekom performed well. During the month, it was announced that the company's U.S. arm, T-Mobile US, was to tie up with Sprint - which was a long awaited deal. This merger has long been expected, however the changing competitive landscape in the U.S. had hampered progress. While there are still regulatory approvals to be sought, the re-emergence of this deal has been well received by investors.

Finally, within Utilities, our holding of Spanish utility Iberdrola performed well. Q1 results released during the month were very positive, with EBITDA growth of 24%. This, as well as upbeat commentary surrounding the Spanish economy and the overall outlook for Q2 allowed the share price to move higher.

Sector Allocation	Portfolio Weight	Benchmark Weight	Delta
Consumer Discretionary	11.23%	14.28%	-3.05%
Consumer Staples	10.63%	9.79%	0.84%
Energy	6.01%	5.72%	0.29%
Financials	16.59%	20.23%	-3.64%
Healthcare	13.80%	7.46%	6.34%
Industrials	19.72%	14.73%	4.99%
Information Technology	5.46%	8.38%	-2.92%
Materials	6.66%	8.62%	-1.96%
Real Estate	0.00%	1.80%	-1.80%
Telecommunication Serv.	6.43%	3.87%	2.56%
Utilities	3.47%	5.12%	-1.65%

Source: Amundi Asset Management as at 30 April 2018.

Portfolio Strategy

In our view, bottom-up stock selection is the key driver of Portfolio performance and excess return. We seek to invest in high-quality, undervalued companies with strong fundamentals.

The majority of positions we hold are long-term 'Core' holdings. These companies are characterised by high quality, attractive valuations and strong growth potential, with a medium-term investment horizon.

The remainder of our Portfolio is built using an unconstrained 'Opportunistic' approach, giving us the opportunity to take advantage of different market trends; and enabling us to invest across the market cap spectrum, looking beyond the benchmark for attractive investment opportunities.

There were no new additions to the Portfolio in April.

Top 10 Overweights	Portfolio Weight	Benchmark Weight	Delta
Shire	3.26%	0.00%	3.26%
CRH	3.71%	0.60%	3.11%
Schneider Electric	4.12%	1.03%	3.08%
Danone	4.00%	0.98%	3.02%
Prudential	2.98%	0.00%	2.98%
BBVA	3.84%	1.09%	2.75%
BNP Paribas	4.36%	1.74%	2.62%
Kerry Group	2.92%	0.32%	2.60%
Iberdrola	3.43%	0.90%	2.53%
Deutsche Telekom	3.70%	1.17%	2.53%

Source: Amundi Asset Management as at 30 April 2018.

Outlook

Right now we are seeing a consolidation of leading indicators in Europe (albeit they remain at very encouraging levels). For us, this warrants a slightly less bullish outlook when compared to our view of six months ago. It is very important to stress that we remain optimistic and that the recent softness in economic data is not falling off a cliff, but rather a logical roll over. Looking ahead, with volatility and market rotations likely to remain a prevalent feature of equity markets given the fuller valuations, we believe that a strong focus on those companies with the ability to deliver reliable earnings will be the key to delivering upside from here. Looking at the Portfolio today, we would see our positioning as quite balanced between global and domestic, with a preference for

global companies given their typically more diversified and higher growth potential. We maintain beta close to 1, and balance between cyclical and defensives.

Important Information

This material is provided to Professional Clients, including financial intermediaries, and is not intended for and should not be provided to the public.

This document contains information about investment services provided by Amundi group companies or undertakings for collective investment in transferable securities (the “Funds”) established under the laws of Luxembourg and authorised for public distribution by the Commission de Surveillance du Secteur Financier. The management company of:

- Amundi Funds, Amundi Funds II, Amundi SICAV II, Amundi Fund Solutions and First Eagle Amundi is Amundi Luxembourg S.A., 5, allée Scheffer, L-2520 Luxembourg;
- CPR Invest is CPR Asset Management, 90 Boulevard Pasteur, 75015 Paris, France;
- KBI Institutional ICAV is KBI Global Investors Ltd., 2 Harbourmaster Place, International Financial Services Centre, Dublin 1, Ireland.

This material is for information purposes only, is not a recommendation, financial analysis or advice, and does not constitute a solicitation, invitation or offer to purchase or sell any the Funds or services described herein in any jurisdiction where such offer, solicitation or invitation would be unlawful.

This material has not been submitted for regulatory approval and is solely for issue in permitted jurisdictions and to persons who may receive it without breaching applicable legal or regulatory requirements. The information contained in this document is confidential and shall not, without prior written approval of Amundi Ireland Limited (“Amundi”), be copied, reproduced, modified, or distributed, to any third person or entity in any country.

The Funds described in this document may not be available to all investors and may not be registered for public distribution with the relevant authorities in all countries.

Investment involves risk. **Past performance is not a guarantee or indication of future results.** Investment return and the principal value of an investment in the Funds or other investment product may go up or down and may result in the loss of the amount originally invested. All investors should seek professional advice prior to any investment decision, in order to determine the risks associated with the investment and its suitability. It is the responsibility of investors to read the legal documents in force in particular the current prospectus for each Fund. Subscriptions in the Funds will only be accepted on the basis of their latest prospectus and/or the Key Investor Information Document (“KIID” available in local language in EU countries of registration) which, together with the latest annual and semi-annual reports may be obtained, free of charge, at the registered office of Amundi Luxembourg S.A. or at www.amundi.lu. In Italy, this documentation is available at www.amundi.it. Information relating to costs and charges of the Funds may be obtained from the KIID.

The performance data do not take account of the commissions and costs incurred on the issue and redemption of units of the Funds.

In **EEA Member States**, the content of this document is approved by Amundi for use with Professional Clients (as defined in EU Directive 2004/39/EC) only and shall not be distributed to the

public. Amundi Ireland Limited is authorised and regulated by the Central Bank of Ireland. KBI Institutional ICAV is a collective investment scheme established under Irish law. Société Générale, Dublin Branch 3rd Floor, IFSC House, IFS, Dublin 1 is the facilities agent for those sub-funds of Amundi Funds, Amundi Funds II, First Eagle registered in Ireland.

In the **UK**, this document is approved for distribution by Amundi Asset Management London Branch, 41 Lothbury, London, EC2R 7HF. Amundi Asset Management is a portfolio management company authorised by the Autorité des Marchés Financiers in France and its London Branch is subject to limited regulation by the UK Financial Conduct Authority. Further information of this authorisation is available on request. Amundi Funds SICAV, First Eagle Amundi SICAV, CPR Invest SICAV, KBI Institutional ICAV and Amundi SICAV II are recognised schemes for the purposes of Section 264 of the Financial Services and Markets Act 2000 (the “FSMA”) of the UK and can be promoted and sold direct to the public in the United Kingdom subject to compliance with the FSMA and applicable regulations made thereunder. Amundi Funds II is an unregulated collective investment scheme under the FSMA. Potential investors in the UK should be aware that none of the protections afforded by the UK regulatory system will apply to an investment any of the Funds and that compensation will not be available under the UK Financial Services Compensation Scheme. This document is addressed only to those persons in the UK falling within one or more of the following exemptions from the restrictions in s 238 of the FSMA:

- authorised firms under the FSMA and certain other investment professionals falling within article 14 of the FSMA (Promotion of Collective Investment Schemes) (Exemptions) Order 2001, as amended (the “CIS Order”) and their directors, officers and employees acting for such entities in relation to investment;
- high value entities falling within article 22 CIS Order and their directors, officers and employees acting for such entities in relation to investment;
- other persons who are in accordance with the Rules of the FCA prior to 1 November 2007 classified as Intermediary Customers or Market Counterparties or on or thereafter classified as Professional Clients or Eligible Counterparties.

The distribution of this document to any person in the UK not falling within one of the above categories is not permitted by Amundi Asset Management London Branch and may contravene the FSMA. No person in the UK falling outside those categories should rely or act on it for any purposes whatsoever.

In **Switzerland**, this document is for Qualified Investors (as defined in Swiss Collective Investment Schemes Act of 23 June 2006 as amended or supplemented) use only and shall not be distributed to the public.

The Representative and Paying Agent for Funds registered for distribution in Switzerland are, in respect of Amundi Funds II: BNP Paribas Securities Services, Zurich Branch, Selnaustrasse 16, 8002 Zurich Amundi Funds and First Eagle Amundi: Representative - CACEIS (Switzerland) SA and Paying Agent - CACEIS Bank, Nyon Branch both at 35 Route de Signy, Case postale 2259, CH-1260 Nyon; KBI Institutional Fund SICAV: Representative – ACOLIN Fund Services AG, Affolternstrasse 56, CH-8050 Zurich and Paying Agent – NPB Neue Privat Bank AG, Limmatquai 1, CH-8001 Zurich. Free copies of the prospectus, key investor information documents, annual and semi-annual reports, management regulations and other information are available at the representative’s address shown above.

Amundi Suisse SA has been authorized in Switzerland to distribute the Funds. Amundi Suisse SA. Amundi Suisse SA receives from Amundi Luxembourg S.A. or other Amundi group entities, compensation under article 34 al. 2bis of the OPCC

For Professional Clients Only

*Prior to 16 February 2018, Pioneer Funds – Euroland Equity

(Ordonnance sur les placements collectifs de capitaux). Such compensation may constitute a part of the management fees stated in the prospectus of the Funds and further information may be obtained upon written request to Amundi Suisse S.A., 6-8 rue de Candolle 1205 Genève Suisse.

In **France**, a free prospectus is available from Amundi Asset Management, 90 boulevard Pasteur -75015 Paris - France - 437 574 452 RCS Paris France or from the centralisateur of the Funds which in the case of Amundi Funds SICAV and CPR Invest SICAV is CACEIS Bank SA, 1-3 place Valhubert, 75013 Paris and in the case of Amundi Funds II and First Eagle Amundi SICAV is Société Générale, 29 Boulevard Haussmann, 75008 Paris.

In **Germany**, for additional information on the Fund, a free prospectus may be requested from Amundi Deutschland GmbH, Amulfstr. 124-126 80636 Munich, Germany (Tel.+49.89.99.226.0).

In **Austria** the paying agents for Funds registered for public distribution in are, in respect of Amundi Funds II and Amundi Fund Solutions: UniCredit Bank Austria AG, Schottengasse 6-8, A-1010 Vienna Amundi Funds: Meinl Bank Aktiengesellschaft, Bauernmarkt 2, A-1010 Vienna; First Eagle Amundi: Société Générale, Vienna Branch, Prinz Eugen Strasse 8 - 10/5/Top 11, A 1040 Vienna; CPR Invest: Raiffeisen Bank International AG, Am Stadtpark 9, A-1030 Wien; and KBI Institutional ICAV: Erste Bank der oesterreichischen Sparkassen AG, Am Belvedere 1, A-1100 Vienna.

In **Spain**, the Funds are foreign undertakings for collective investment registered with the CNMV and numbered Amundi Funds II (226); Amundi S.F (493); Amundi Fund Solutions (1333); Amundi Funds (61) First Eagle Amundi (111); CPR Invest (1564);and KBI Institutional ICAV (1248). Any investment in the Funds or their respective sub-funds must be made through a registered Spanish distributor. Amundi Iberia SGIC, SAU, is the main distributor of the Funds in Spain, registered with number 31 in the CNMV's SGIC registry, with address at Pº de la Castellana 1, Madrid 28046. A list of all Spanish distributors may be obtained from the CNMV at www.cnmv.es. Units may only be acquired on the basis of the most recent prospectus, key investor information document and further current documentation, which may be obtained from the CNMV. In Chile and Peru, this document is approved for use by Administradora de Fondos de Pensiones/ Pension Fund Administrators and other institutional investors.

In **Mexico**, this document is approved for use with institutional investors. It may not be distributed to third parties or to the public.

In **Singapore**, this document is provided solely for the use of distributors and financial advisors only and is not to be distributed to the retail public. Distribution occurs through Amundi Singapore Ltd, 168 Robinson Road, #24-01, Capital Tower, Singapore 068912. This document contains information about certain sub funds of Amundi Funds and First Eagle Amundi SICAV which may be registered as recognised schemes in Singapore under the Securities and Futures Act (Cap. 289) of Singapore ("SFA"), or notified as restricted schemes under the Sixth Schedule to the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2005, while certain sub-funds of Amundi Funds II are restricted schemes. For the sub-funds or relevant share/unit classes notified as restricted schemes in Singapore, such sub-funds or relevant share/unit classes are not authorised or recognised by the Monetary Authority of Singapore ("MAS") and are not allowed to be offered to the Singapore retail public. Accordingly, this document and the material contained within, may not be circulated or distributed, nor may the relevant shares/units be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 304 of the SFA, (ii) to a relevant person

pursuant to Section 305(1), or any person pursuant to Section 305(2), and in accordance with the conditions specified in Section 305 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. In other Asian jurisdictions, for use by licensed intermediaries only and not to be distributed to the public.

This information is not for distribution and does not constitute an offer to sell or the solicitation of any offer to buy any securities or services in the United States or in any of its territories or possessions subject to its jurisdiction to or for the benefit of any U.S. Person (as defined in the prospectus of the Funds). The Funds have not been registered in **the United States** under the Investment Company Act of 1940 and units of the Funds are not registered in the United States under the Securities Act of 1933.

This document is not intended for and no reliance can be placed on this document by persons falling outside of these categories in the above mentioned jurisdictions.

In jurisdictions other than those specified above, this document is for the sole use of the professional clients and intermediaries to whom it is addressed. It is not to be distributed to the public or to other third parties and the use of the information provided by anyone other than the addressee is not authorised.

This material, is based on sources that Amundi considers to be reliable at the time of publication. Data, opinions and analysis may be changed without notice. Amundi accepts no liability whatsoever, whether direct or indirect, that may arise from the use of information contained in this material. Amundi can in no way be held responsible for any decision or investment made on the basis of information contained in this material.

The Funds or securities referred to herein are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such Funds or securities or any index on which such Funds or securities are based. The offering documents of the Funds contain a more detailed description of the limited relationship MSCI has with Amundi and any relevant Funds.

Date of publication: 4 May 2018.

Document ID: 487882