

# Monthly Portfolio Update

*Amundi Funds II – Global Equity Target Income\**

31 July 2018

Equity

COMMENTARY

## Market Review

July was a positive month for the Global equity market with the MSCI World adding over 3%. Looking regionally, Europe and the U.S. performed well, both adding in excess of 3%, while Japan lagged somewhat as a combination of trade concerns with the West, coupled with the sharp move higher in JGB's and the subsequent strengthening of the yen dampened sentiment.

Trade continued to dominate the news headlines, with fears that growing tensions between the U.S. and the rest of the world would lead to sluggish investment and slower export growth. Some of the risks have diminished in recent weeks after U.S. President Trump and European Commission President, Jean-Claude Juncker agreed a deal to stave off the impending trade dispute with Europe. This, combined with more favourable FX, better inflation and employment numbers, helped to boost sentiment towards the asset class in July.

Perhaps worthy of the most attention was of course the Q2 earnings season for global corporates. Looking across geographies the picture is mixed, with strong EPS numbers coming out of the US to date, while Europe is lagging. What has been notable has been the share price reaction on the day of earnings release, with those names that miss expectations being punished quite strongly – perhaps reflective of the fuller valuations in certain pockets of the market. In Europe, while earnings have been more muted, we are particularly encouraged by the strong revenue growth being delivered, with top line growth tracking above 6% on a weighted basis which should help to support sentiment towards the asset class.

With periods of volatility and market rotations likely to become more prevalent than we have observed in recent years, we continue to seek balance. Our view remains that the best way to navigate these market conditions is by focusing on compelling idiosyncratic investment cases that we believe have the ability to deliver on EPS over the medium-term.

## Portfolio Review

From an income standpoint, within the portfolio we continue to seek names that can potentially offer sustainable income opportunities. Against the backdrop of a rising interest rate environment, within the portfolio we are placing an ever increasing emphasis on dividend growth rather than optical yield. We remain comfortable with the level of income generated to date and believe we are on course to deliver on our 7% target for 2018. It is important to stress that at the end of July we made our second quarterly distribution for the primary share class (A USD QD).

From a performance standpoint, July was quite a positive month, with the portfolio performing broadly in line with the global equity market. Looking at our holdings, names such as JP Morgan and Microsoft performed very well, while some of our names within Energy came under pressure, given the recent pullback in the oil price. That said we maintain our overweight position in the sector as we are particularly attracted to the cash flow generation ability of the companies.

As we move further into the second-half of 2018, we can identify three clear themes within the portfolio:

- A focus on debt sustainability – given the rising interest rate environment we believe it prudent to avoid those names which have higher levels of leverage on the balance sheets. We have found some attractive investment cases with this regard in areas such as information technology.
- Seeking beneficiaries of rising rates and steeper yield curves – here we are very selective preferring some well capitalised names within the banking sector.
- Cash flow generation stories – whereby we like names with improving cash flows helping to underpin, and potentially grow dividends going forward. For us, dividend growth will become ever more important going forward.

For Professional Clients Only.

\*Prior to 16 February 2018, Pioneer Funds – Global Equity Target Income

**Amundi**  
ASSET MANAGEMENT

Marketing Material

In terms of portfolio activity, July was a very quiet month for changes. We continued to use our option writing strategy as a means of implementing our desired investment decisions while generating additional income for the portfolio.

On the buy side, we increased our holding of Dutch-listed banking group ING through puts. Here we continue to be attracted to the company's very strong capital position and robust underlying business model (the domestic Dutch market is quite solid) which we see as supportive for shareholder remuneration going forward. We also increased our holding of technology communications company Cisco Systems – a name which has performed very strongly year-to-date, albeit has seen a small retracement in recent weeks which we view as an attractive entry point to increase the position.

On the other side, through the use of call options, we reduced our holding of Italian-listed integrated energy company ENI. We continue to like the underlying story of this investment case with a refocus on the core E&P business set to drive medium-term returns. However, recent outperformance has made the valuation less compelling at this point. In Healthcare, we reduced both GlaxoSmithKline and Pfizer as call options were executed given the move higher in the share prices. Here, we remain comfortable with our holdings, and may seek to increase again should the valuation opportunity arise.

From an option perspective, July was a rather quiet month where we wrote 3 call options and 5 put options helping to generate additional income for the portfolio.

Top 10 Holdings	Portfolio Weight
Cisco Systems	2.2%
Vodafone	2.1%
JP Morgan Chase	2.1%
KDDI Corp.	2.1%
Royal Dutch Shell A	2.1%
BP	2.0%
Exxon Mobil	2.0%
Iberdrola	2.0%
Microsoft	2.0%
Johnson & Johnson	2.0%

Source: Amundi Asset Management as at 31.07.2018

## Outlook

Reflecting on the market environment as we move further into the second half of 2018, we remain constructive on our outlook for equity markets globally. That said, political uncertainty, risks of rising protectionism, and some moderation in business sentiment indicators in our opinion warrant a less bullish outlook when compared to our view as we entered the year. Looking ahead, we maintain our expectation that earnings growth will be the key catalyst to drive the market higher given the fuller valuations.

From a regional perspective, we continue to favour Europe and Japan from both an income and a relative valuation viewpoint. For us, perhaps now more than ever, we believe that a strong focus on those companies with the ability to deliver reliable earnings through the cycle, and sustainable dividends, will be the key to delivering returns in this environment. As fundamental bottom up stock pickers with a medium term view, we continue to monitor the current situation, seeking to take advantage of valuation opportunities should they arise.

### Important Information

On the 16 February 2018, Pioneer Funds was renamed Amundi Funds II. Prior to 16 February 2018 the name of the sub-fund was with the prefix "Pioneer Funds".

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 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](http://www.amundi.lu). In Italy, this documentation is available at [www.amundi.it](http://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 (“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 FSMA:

- authorised firms under 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 Intermediate 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 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 (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, Arnulfstr. 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 SGIIC 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](http://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, 80 Raffles Place #23-01, UOB Plaza 1, Singapore 048624. 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

© 2018 Morningstar. 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. Please verify all of the Information before using it and don't make any investment decision except upon the advice of a professional financial adviser. Past performance is no guarantee of future results. The value and income derived from investments may go down as well as up.

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: 02 August 2018

Document ID: 564273