Quarterly Portfolio Update

*Amundi Funds II – Pioneer U.S. High Yield**

29 June 2018

BOND COMMENTARY

Market Review

While volatility pulled back from the high levels of the first quarter, in the second quarter markets continued to suffer from heightened volatility relative to the very low levels of 2017. Concerns about trade wars took centre stage, as President Trump stepped up his aggressive pursuit of tariffs against allies and adversaries alike. Fears that the new populist Italian government threatened the status quo of the Euro and European Union rose in late May, but abated as a new government was formed and officials toned down their anti-Euro rhetoric. Finally, the unexpected appreciation of the U.S. Dollar, which rose 5.7% from its mid-April low, as well as a continued rise in oil prices, which have climbed 23% year to date, including a 14% increase in the second quarter, contributed to a sell-off in emerging markets, particularly in countries with significant U.S. Dollar debt.

Despite a middling first half of 2018, US High Yield (HY) was a top performer among credit (outperforming IG, Emerging Markets and Euro HY meaningfully), although it was still the worst first half total return since 2008. The first quarter of 2018 was impacted by rate induced sell-off, with the index falling 90 basis points, as the 10 year U.S. Treasury surged in yield, compressing spreads. Higher risk credits outperformed, as economic view remained strong, and higher quality tends to have more duration exposure.

The second quarter had 100bps positive return as HY traded within a narrow band (6.25%-6.50%), providing mostly coupon-like returns. Strong economic and employment data was supportive of U.S. HY, especially as compared to emerging markets and European HY. Technicals have been positive for the asset class in 2018 as supply is off 28% from last year. Fund flows were less of a headwind during the second quarter than in the first quarter.

By rating tier: CCCs (+3.9% YTD) significantly outperformed Bs (+1.1% YTD), which, in turn, significantly outperformed BBs (negative 1.77% YTD)

Portfolio Positioning

The Portfolio slightly underperformed the Bank of America Merrill Lynch U.S. High Yield Index.

Allocation to out-of-benchmark positioning in convertible bonds contributed to positive relative performance and each produced positive returns outright. Within convertibles: Healthcare and Technology were the biggest contributors. Alder Biopharmaceuticals and Wright Medical Group led the way.

Within corporate bonds, security selection was a negative contributor , with securities in Energy and Basic Industry being the main laggards. For corporate bonds, adding to Valeant Pharma and Windstream, two of 2017 troubled credits, boosted performance, as both companies have taken various steps to address stretched balance sheets.

Our underweight to CCCs, given our higher quality bias, was also a detractor to relative performance. CCC rated bonds outperformed higher quality bonds as they have YTD.

We continue to remain overweight the Healthcare sector through our allocation to both corporate bonds and convertible bonds. The sector may be poised to benefit from further capital appreciation in 2018. We remain underweight the Retail sector which continues to struggle and historically is a sector that has exhibited low recovery rates in a restructuring environment

Within Energy, we are overweight on a notional basis, but market-weight on risk basis. We have greater exposure to Exploration & Production and midstream relative to higher beta services.
The Portfolio maintains a higher quality bias, and as such remains under-weight “CCC and below” rated buckets relative to the benchmark.

The Portfolio continues its practice of seeking diversification and relative value by carrying out-of-index exposures, including convertibles and

For Broker/Dealer Use Only and Not to be Distributed to the Public.

*Prior to 16 February 2018, Pioneer Funds – U.S. High Yield

Marketing Material

Amundi ASSET MANAGEMENT

insurance-linked bonds. We remain constructive on insurance-linked bonds as they are uncorrelated with the financial markets, which in the long-term, provides diversification benefits and can help enhance the risk-return profile of the fund. We have taken the convertible bond positions down marginally, as securities reach our price targets and as a way to moderately reduce overall risk

Outlook

The default rate for HY bonds remains well below historical averages, and we maintain a constructive outlook with respect to the U.S. economy and overall corporate credit fundamentals. Strong earnings and a record pace of debt refinancing has enabled an extension of the credit cycle. The Fed is expected to continue to gradually hike rates, and we expect that the tapering of its bond portfolio will likely lead to some tightening of credit conditions. That said, HY is less interest rate sensitive than other fixed-income segments.

Potential global trade war ramifications could undermine global economic growth and we are monitoring closely

Credit-market sentiment received an additional boost as 2017 drew to a close with the passage of a tax reform package in the U.S. that included a lowering of the corporate tax rate and a window during which companies are permitted to accelerate the expensing of capital investments.

HY valuations are somewhat extended in our view, but we believe overall conditions remain supportive of the asset class. Spreads have been range bound (bottom 323 in January, top 382 in February, 360 recent); we expect this to continue. In general, we are increasing our B weighting when possible, relative to BB and CCC rated credits. BBs generally have a higher correlation with rate increases and crossover demand, while CCCs appear too rich after having outperformed recently. We consider that BBs are risky as they seem to be correlated with rates and crossover demand. B-rated credits may offer the best risk/return potential as a credit. In our view, credit fundamentals remain supportive of HY as an asset class. Economic growth and corporate earnings remain strong. Unemployment is low, wages have been trending modestly higher, and consumer balance sheets are sound in aggregate. In addition, high-yield issuance has, for the most part, shown restraint with respect to lower-rated deals in the CCC quality range as well as deals designed to finance large leveraged buyouts or special dividends.

At the same time, HY valuations are relatively high, as reflected in spreads that are meaningfully tight by historical standards. In addition, after an extended period of seeing riskier assets more or less grind steadily higher, market volatility appears to have returned to the forefront, driven in large part by speculation over the pace of the Fed's future interest-rate hikes. The markets will be watching closely for any data that could signal the potential for accelerating inflation, which could spur the Fed to increase its benchmark rate more rapidly than currently anticipated.

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. 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 ("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 SGIIC, 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. 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

© 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: 20 July 2018.
Document ID: 553532

Amundi
ASSET MANAGEMENT