Monthly Portfolio Update

*Amundi Funds II – Emerging Markets Bond Short-Term**

30 April 2018

Bond

COMMENTARY

Market Review

A range of headwinds impacted Emerging Markets (EM) fixed income during the month of April, resulting in a weak performance from the asset class.

A rise in U.S. Treasury bond yields, a resurgent U.S. Dollar, concerns around U.S.-China trade wars, increasing geopolitical risks and peaking PMIs have all resulted in heightened investor worries.

As yields climbed steadily, led by U.S. Treasuries, global bonds were the biggest underperforming asset class in April. The sell-off was still fairly modest with U.S. Treasuries down just -1.0% in total return terms. EM Bonds (-2.7%) struggled a bit more while, in Europe, EU Sovereigns returned -0.3%. Gilts (-1.0%) also stood out despite yields rallying following some weaker GDP and CPI data in April. Developed Markets' (DM) credit remained broadly flat with EU IG Non-Financial and Senior Financials in particular returning 0.0% and slightly outperforming Sovereigns. EU High Yields (HY) +0.6% outperformed, as did U.S. HY, which returned +0.8%. U.S. IG Non-Financials was a lot weaker, returning -1.1% albeit largely in line with the move for Treasuries. In the EM space, corporates were the outperformer -0.8% with CEMBI Broad Diversified spread 5bps wider.

On the other hand, equity markets largely dominated positive performers' scoreboard in April; propelled by DM (+1.0%), lifting YTD returns to -0.6%. The U.S. added +0.3%, Europe +2.2%, Japan +0.7% and Australia +2.4%. The FTSE MIB (+7.4%) also rallied, seemingly around signs that the political landscape appeared to be pointing towards a more market-friendly coalition. Otherwise, in the FTSE 100 (+6.8%), Nikkei (+4.7%), IBEX (+4.8%), Stoxx 600 (+4.6%) and DAX (+4.3%) also returned solid mid-single digit returns while European Banks rallied +3.7% as bond yields generally rose through the month. In the EM space, the Greek Athex (+10.0%) led the way in local currency terms, helped by positive debt relief progress between Greece and its creditors.

It is also worth highlighting that Russia's MICEX was up +1.6% during April in local currency terms, however, the massive depreciation for the Ruble as a result of the U.S. sanctions means that the MICEX collapsed -8.5% in U.S. Dollar terms, making it the biggest underperforming asset in U.S. Dollar terms.

In April, commodities were also on the run. Wheat (+13.6%) topped the leader board while Brent (+8.5%) and WTI (+5.6%) breached new multi-year highs. Crude oil prices soared last month on the back of rising geopolitical concerns in the Middle East as well as continuing worries over the reinstatement of Iran sanctions. Copper (+0.9%) pared gains late into the month as the U.S.-Russia sanctions story evolved, while Silver (-0.2%) and Gold (-0.7%) were closer to flat. Aluminium prices jumped +13.7% as the U.S. sanctions on the world's second largest producer of the metal Rusal choked supply. Overall, the broad commodity CRB Index (+3.4%) rose by the most since June last year, while also reaching the highest level since 2015.

Within currencies, the U.S. Dollar finally regained its due strength – warranted by the strong macro data, robust corporate earnings, and the hawkish Fed – last month. UST yields breaking past 3% boosted U.S. Dollar gains to 2.1% against a basket of peers. This strengthening of the USD caused further downslide in EM (-0.6% in April, +0.5%YTD). A basket of EM currencies slid -1.6% vs. the U.S. Dollar as all EM currencies barring the Philippine Peso (+0.8%) and the pegged currencies depreciated against the U.S. Dollar.

Portfolio Review

Portfolio performance initially rebounded from the weakness we saw at the end of March to undergo another rise in U.S. Treasury yields in the second half of the month.

The Portfolio finished the month slightly negative due to complex market risk movements, yet ahead of the

For Professional Clients Only.

* Prior to 16 February 2018, Pioneer Funds - Emerging Markets Bond Short-Term

Amundi
ASSET MANAGEMENT

shorter term BB rated breakout of EMBI Global Diversified Index.

Key performance drivers for the month were duration positioning and lower maturity higher quality credit. Maintaining a healthy cash buffer ~5.0% also helped mitigate downside pressure.

Although EM assets gave their gains back after a strong start to the year, they also demonstrated some resilience. Capital flows to EM funds remain largely intact, a trend that we have seen since 2016. Here our central scenario argues for a continuation of capital flows into EM and a sound growth outlook in cyclical terms. However, the balance of global risks is somewhat changing; global trade dispute is back on the table, economic growth seems to be moderating, particularly in Europe, and rising global cost of funding weighs on corporates. In our view, this rise in the global cost of funding comes primarily from rising U.S. rates. To protect our portfolios from these headwinds we are of the view that duration should be actively managed. At this point of time we are running 1.9 years duration exposure and are holding spread duration of 2.5 years.

Looking at the performance contribution on the regional level, EMEA was net negative contributor with Russia in the spotlight. The introduction of new OFAC sanctions on RUSAL (among other Russian persons and entities) was the first time an issuer with outstanding Eurobonds was subjected to SDN sanctions, which resulted in massive price correction and an ‘effective immediately’ freeze of trading on RUSAL bonds.

In Asia we also saw slightly negative returns coming primarily from the Chinese Real Estate sector which is undergoing structural transition.

It was in Latin America where we obtained encouraging positive returns; here Brazil and wider Latin American TMT sectors performed well.

At the sector level, Consumer Discretionary and TMT had a good month, Energy names outperformed on the back of rising Oil prices and Utilities and Healthcare were flat. The bottom of the scoreboard was left to Materials and Real Estate.

To better position the Portfolio in the world of ~3% U.S. Treasuries and elevated geopolitical tensions, we rotated from countries which we deem to have high levels of external vulnerability (Turkey and Nigeria) and were net buyers of lower yielding but more stable Israeli and UAE bonds.

Coming into May, we continue to hold highest exposure in EMEA, where the Oil story should support the likes of Russia and Kazakhstan; like Latin America as Brazil continues to perform well and upcoming elections are not yet presenting headwinds; and are still favouring China and India within Asian region. In terms of sectors, Financials and Oil & Gas are key Portfolio exposures while the less-cyclical Infrastructure and Transportation are sectors of lowest exposure.

Outlook

The most recent EM sell-off has been as indiscriminate as it has been sharp. Markets should remain volatile but, with more appealing valuations now and a solid macro backdrop, we think EM, and especially EM credit, could stage a comeback.
We are looking at adding risk selectively in EM fixed income markets, particularly across FX and credit as these have borne the brunt of the recent correction.

This view hinges in part on the global variables that have driven EM to become more supportive (USD, UST yields), but also recognises that many EMs are in better shape to withstand higher funding versus past years.

We see less scope for duration gains across local bonds, where yield differentials versus the U.S. are compressed – though there are specific markets that we like. We do not expect a rebound for all EM FX or credit, which both remain highly diverse.

Global liquidity conditions will likely tighten throughout the year and DM credit spreads should widen amid higher equity market volatility. Even though the EM-DM growth differential is expected to widen in EM's favour, many large EMs also face political/policy-related challenges that could weigh on sentiment.

We prefer those markets that either have structurally improving fundamentals or are high-quality and stable enough to maintain a high correlation to USD weakness.

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 First Use: 25 May 2018

Doc ID 507106