EUROBANK
FMC-LUX

(LF) TOTAL RETURN FUND

30/9/2022

Investment Objective

The Sub-Fund's objective is to achieve positive returns through the use of a flexible investment strategy that will rely on active asset allocation. The active asset allocation will result from the combination of a top down approach with a bottom up stock picking analysis.
In order to meet the investment objective of the Sub-Fund set out above, the Sub-Fund may invest without any geographical and economic constraint:
- By at least 10% and by no more than 85% of its total assets in equity securities and other equivalent securities
- By at least 10% and by no more than 85% of its total assets in debt instruments, cash and cash equivalents (deposits with credit institutions and money market instruments).Id
In addition, the Sub-Fund may also invest up to 30% of its net assets in Exchange Traded Funds (ETFs), qualifying as UCITS or respectively UCI, which may represent a sector or a market index as per the meaning of article 41 (1) indent (e) and article 46 of the 2002 Law and/or up to 10% of its net assets in ETFs on commodities respecting article 41(2) indent a) of the 2002 Law.
Finally, the Sub-Fund, in order to meet its investment objectives, may use on a regular basis listed financial derivative instruments for the purposes of hedging currency risk, interest rate risk, market risk and efficient portfolio management.

Funds Facts

Structure	UCITS V Luxembourg
Total NAV Size	3.002.350,00 €
Benchmark	Hurdle 7%
Liquidity	Daily
Mngnt Co	Eurobank FMC-LUX
Investment Manager	Eurobank Asset Management MFMC
Custodian/Administrator	Eurobank Private Bank Luxembourg S.A.
Auditor	KPMG

Investor Profile

The Sub-Fund has a high risk profile and is addressed to investors pursuing a long-term investment objective with the prospects of achieving returns from income and capital gains.

Market Commentary

Financial markets continued their downward trend in the third quarter and as a result all asset and sub asset classes extended their losses that had already posted in the first half of the year and despite an interim rebound that took place in July. This rebound was fueled by expectations that inflationary pressures would retreat, and hence major central banks would refrain from further interest rate hikes. But in August these hopes were quickly refuted by central banks which reiterated their commitment to fight inflation at all costs and even risking a substantial slowdown of growth. In fact, inflation remained high in most major developed economies and did not decline as expected this quarter, even as weaker commodity prices relieved some pressure. In particular, core inflation generally remained well above central bank targets in most countries resulting in additional interest rate hikes of 1,5% from the Fed, 1,25% from the European Central Bank and +1% from the Bank of England during the 3rd quarter. Furthermore, markets also moved to price in a much more aggressive path of future rate hikes, with rates now expected to rise to 4,5%, 3,5% and 5,75% by next year in the US, the eurozone and UK respectively. On the global growth front, the data published over the third quarter, continued to point to a global growth slowdown. US GDP data confirmed that the US economy is in a recession with GDP falling by -0,6% y/y in Q2 after a -1,6% contraction in Q1. As far the eurozone economy, many economies are likely to enter recessions as depicted the flash composite purchasing managers' index (PMI) which came in September at 48,2, representing a third consecutive month below 50. In the UK, data released in the quarter illustrated the loss of momentum in the economy. Consumer confidence fell to an all-time low in September and the PMI business survey dropped further into contraction territory. Finally, the Chinese economy looks fragile as it was confronted with several headwinds in the quarter, such as the country's zero Covid policy, weather-related disruptions and weakness in the housing and credit market. In total, the economic and investment environment deteriorated sharply due to aggressive monetary tightening policies, high energy prices in Europe, high inflation, and heightened geopolitical risk. A soft landing of the global economy is not plausible anymore and a global recession has become the base case scenario.
Within this context, global equities continued their broad selloff as depicted by the performance of the broad based MSCI ACWI Index which declined by c.6,70% on a quarterly basis. As a result, its YTD negative performance was extended to c.-25,35%. In essence, the vast majority of the major equity indices have entered bear market territory in this quarter. Specifically, the SP500 fell by another 4,90% in the 3rd quarter and c.- 24,30% from the beginning of the year, experiencing its worst start to a calendar year since 2002. The index ended the quarter at a new year-to-date low of 3.586, a level it first reached in November 2020. Nine out of the eleven sectors were negative in the quarter with Consumer Discretionary (+4,4%) and Energy (+2,2%) as the top performers, and Real Estate (-11%) and Communication Services (-12.7%) as the laggards. As expected, Eurozone equities followed suit as the European economy carries the highest recession risk among developed economies. The MSCI EMU Index posted quarterly losses of c.-4,45% resulting in a YTD negative performance of c.-21,80%. The Japanese stock market ended the quarter lower too regardless of the loose monetary policy of the Bank of Japan. The NIKKEI Index fall only by c.-0,94% during the quarter but the steep slide of the yen amplified losses for foreign investors on dollar terms. As far as emerging markets are concerned, they were also in negative territory in the third quarter driven mainly by the Chinese equity markets which were negatively affected by the slump in the property market and the imposition of Covid-related lockdowns in various major cities weighed on investor sentiment. As a result, the MSCI EM Index posted quarterly losses of c.-11,50% resulting in a YTD performance of -27%.
Regarding fixed income markets, bonds continued to sell off sharply, with yields markedly higher amid still elevated inflation data, hawkish central banks and rising interest rates. As a result, the Bloomberg Barclays Global Aggregate index posted quarterly losses of c.-6,95% resulting into a non-negligible YTD negative performance of c.-19,90% which is the biggest global bond market drawdown (peak-to-trough decline) on record. Corporate bonds suffered in the broad bond market sell-off, underperforming government bonds as spreads widened significantly. With mounting concerns over the economic outlook, it was the same picture for high yield bonds. As a result, the Bloomberg Barclays US Corporate Bond Index and the Bloomberg Barclays Global High Yield index recorded quarterly losses of c.-5,05% and c.-2,75% respectively. Their YTD losses were extended to c.-18,70% and c.-19,15% respectively. In conclusion, most bondholders were penalized with equity equivalent losses during the nine months of this calendar year.
Heading into last quarter of 2022, higher inflation and rising interest rates remain the most serious threats to global financial markets. Central Banks seem to be at a dead end: they are forced to adopt an aggressive tightening monetary path while risking choking off economic growth. The key question is no more if there will be a deceleration of global growth but to what extent dragging corporate earnings down as well.

Portfolio Recap

No significant changes were made to the fund's overall market exposure in the 3rd quarter. The fund's equity exposure remained almost constant (c.26,65%) with no hedges against these positions. Regarding the fund's geographical breakdown, we maintained an almost equal weight stance between European equities (c.13,45%) and their US peers (c.13,30%) as European equities offer better valuations but US equities offer better earnings growth. Finally, the fund maintained a balanced exposure/distribution with respect to sectors and market factors.
The fund's overall bond exposure increased to c.63,2% during the 3rd quarter of the year but duration and credit risk on a look through basis were decreased. This was done by maintaining an increased exposure to US Treasuries with relatively low to medium maturities (3-5 years). In total US Treasuries are the biggest sub asset class (c.25,50%) with a duration/maturity of almost 5 years. Given that US Treasuries have already priced in a very aggressive interest rate increase, their downside risk is limited for the rest of year and can operate as a buffer to a prolonged market turmoil. Regarding the fund's currency exposure, US dollar denominated holdings account for c.51,20% of the fund's NAV and hedges are held that cover c.48% of these holdings in order to contain currency volatility and reflect a positive stance against the USdollar. Finally, the fund's cash holdings were slightly decreased at c.10,15% of the NAV. In conclusion, the fund did not increase its overall market exposure despite significant equity market declines and improved valuations. We remain cautious on stocks due to the combination of heightened recession risk, hawkish central banks, and significant risk of corporate earnings downgrades.

Share Classes	Prelium A	Prelium B
Currency	EUR	EUR
Inception date	5/7/2010	19/11/2010
Assets (class currency)	2.135.766,39	866.583,61
NAV	9,6525	10,8328
ISIN code	LU0517761358	LU0517761515
Bloomberg ticker	PRELFTR LX Equity	PRELFTB LX Equity
Risk Class	4	4
MorningStar Rating	2-star	3-star
Entry fee	0%	0%
Redemption fee	0%	0%
Conversion fee	0% until 31/12/2022	
Redemption scheme	T+3	

* *Depending on the duration of the investment period
**Depending on the amount of the investment

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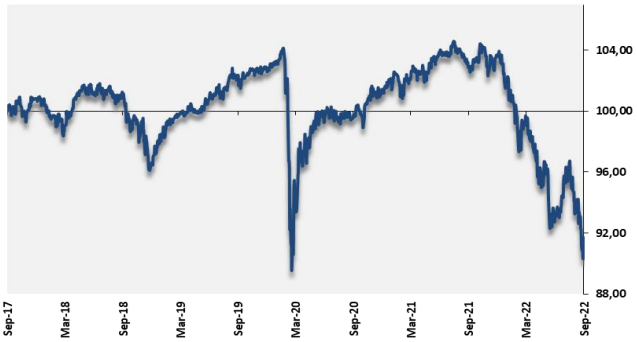
Cumulative Returns per share class

Share Classes	YTD	1 Y	3 Y	5 Y
Prelium A	-12,92%	-12,22%	-11,76%	-9,66%
Prelium B	-12,25%	-11,32%	-8,89%	-4,98%

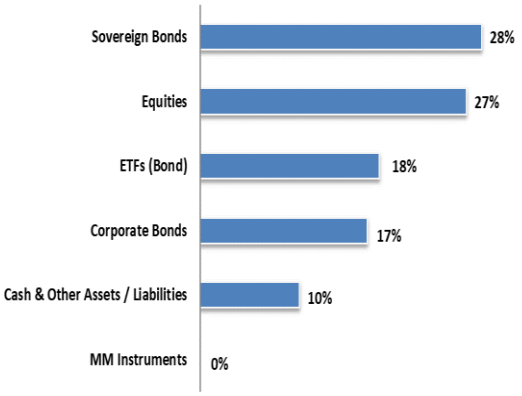
Annual Returns per share class

Share Classes	2021	2020	2019	2018	2017	2016	2015	2014	2013
Prelium A	2,44%	-1,29%	6,15%	-4,14%	0,49%	1,17%	8,50%	7,81%	2,03%
Prelium B	3,50%	-0,29%	7,21%	-3,16%	1,50%	2,21%	9,80%	8,62%	3,05%

Price Evolution



Asset Allocation



Geographical Allocation

UNITED STATES	40,02%
GERMANY	19,44%
GREECE	14,47%
FRANCE	14,20%
NETHERLANDS	5,42%
CHINA	3,82%
ITALY	1,08%
ISRAEL	0,96%
FINLAND	0,58%

10 Major Holdings

EURO FX CURR FUT DEC22	24,98%
T 1.5% 31/01/27	8,46%
T 1.125% 31/10/26	8,36%
ISHARES USD CORP BOND UCITS ETF	4,98%
T 1.75% 15/03/25	4,67%
ISHARES JPM USD EM BND EUR - H	4,54%
US TREASURY 15/05/30	4,04%
ISHARES USD SHORT DUR HY CORP	3,83%
ELPEGA 2% 4/10/24	3,18%
MOHGA 2.125% 19/7/26	3,07%

Sector Allocation

Electric	3,12%
Pharmaceuticals	3,06%
Internet	2,65%
Cosmetics/Personal Care	1,73%
Auto Manufacturers	1,66%
Retail	1,53%
Chemicals	1,36%
Banks	1,28%
Beverages	1,20%
Software	1,16%
Food	1,13%
Telecommunications	1,02%

Risk Statistics

Standard Deviation (31.08.2022)	7,08%
VaR	4,89%
Yield Maturity	3,97%
Duration (years)	3,33

Standard Deviation calculations have been performed using a data sample of the last 12 month. The VaR analysis is based on the Historical Simulation method using the 99th percentile as confidence interval and historical data of the last 12 months. The VaR level refers to the one month VaR.

Contact

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