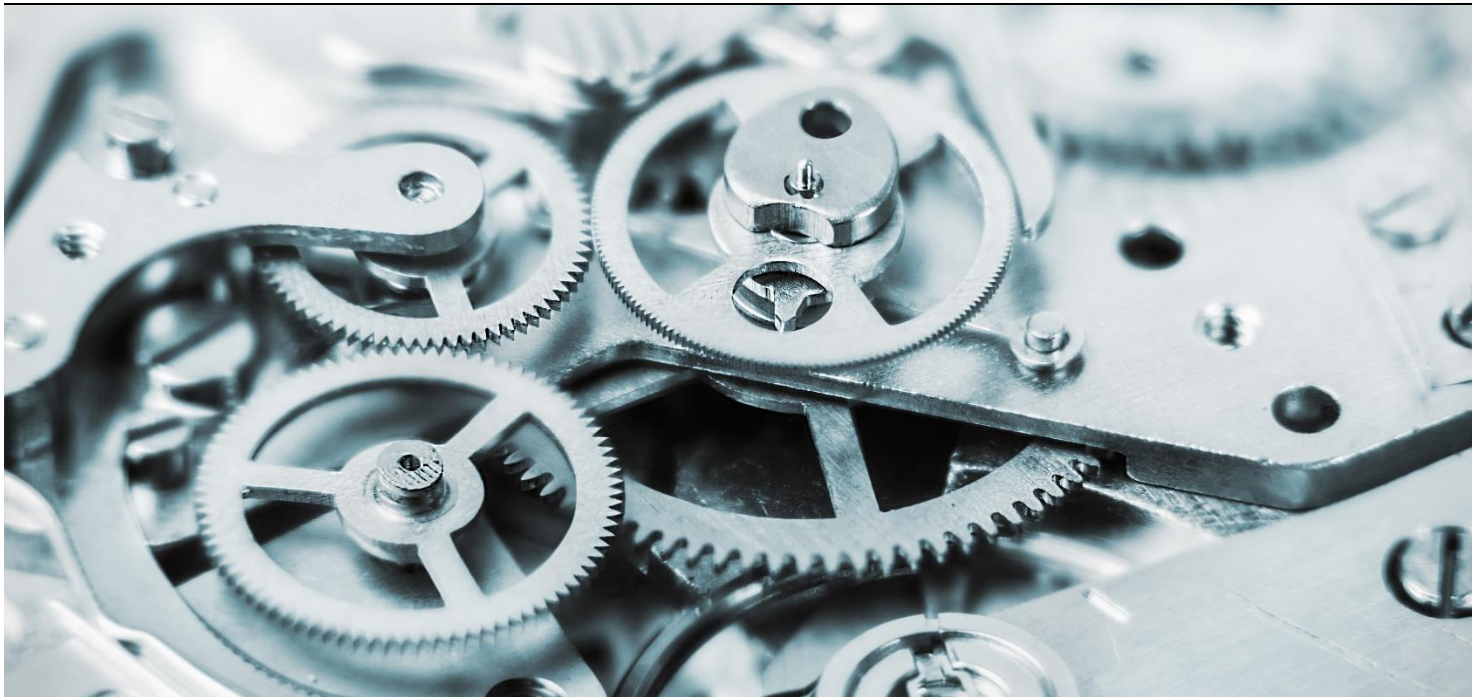
DPAM L Bonds Universalis Unconstrained

Webinar am 18. Mai 2017 mit

Peter De Coensel Fondsmanager – Leiter des Rententeams



Mai 2017

Portfolio Management Bonds Universalis Unconstrained

Peter De Coensel

CIO Fixed Income

26 years of experience

2016
Degroof Petercam AM: *CIO Fixed Income, Member of the Management Board*

2012
Petercam Institutional AM: *Head of Corporate Bonds*

2009
Petercam Institutional AM: Portfolio Manager

2005
Capital at Work*: Fund Manager*

2000
IBM Capco: *Consultant Financial Markets Strategy*

1996
Commodities Corporation: *Hedge Fund Manager*

1993
ABN Amro: *European Government Bond Trader*

1991
BBL (currently ING): *Market Maker Belgian Government Bonds*

Education
University of Brussels: Master in European Economics
Catholic University of Leuven: Master in Applied Economics

Fixed Income Team

Peter De Coensel
CIO, Fixed Income, Fund Manager
26
'09

GOVERNMENT BONDS FUNDS

10
'07
Ronald Van Steenweghen
Lead Manager

'16
Lowie Debou
Co- Manager

EURO GOVERNMENT

16
'09
Sam Vereecke
Lead Manager

GLOBAL GOVERNMENT & INFLATION

24
'10
Thierry Larose
Lead Manager

21
'07
Carl Vermassen
Co-Manager

EMERGING GOVERNMENT

14
'05
Ophélie Mortier
RI Coordinator

RI COMPETENCE CENTER

CORPORATE BONDS FUNDS

05
'11
Anahi Machado Tironi
Lead Manager

10
'06
Steven Decoster
Co-Manager

INVESTMENT GRADE

25
'09
Peter De Coensel
Lead Manager

GLOBAL BONDS UNCONSTRAINED

18
'05
Bernard Lalière
Lead Manager

22
'04
Marc Leemans
Co-Manager

HIGH YIELD

ANALYSTS

22
'13
Michaël Oblin
Head of Credit Research

09
'14
Isabelle Peiffer
Credit Analyst

04
'11
Andrew Deback
CFA, Credit Analyst

08
'16
Barbara Mainieri
Credit Analyst

11
'15
Arthur Homo
,Credit Analyst

08
'11
Antoine Ruotte
CFA, Credit Analyst

CREDIT ANALYSTS

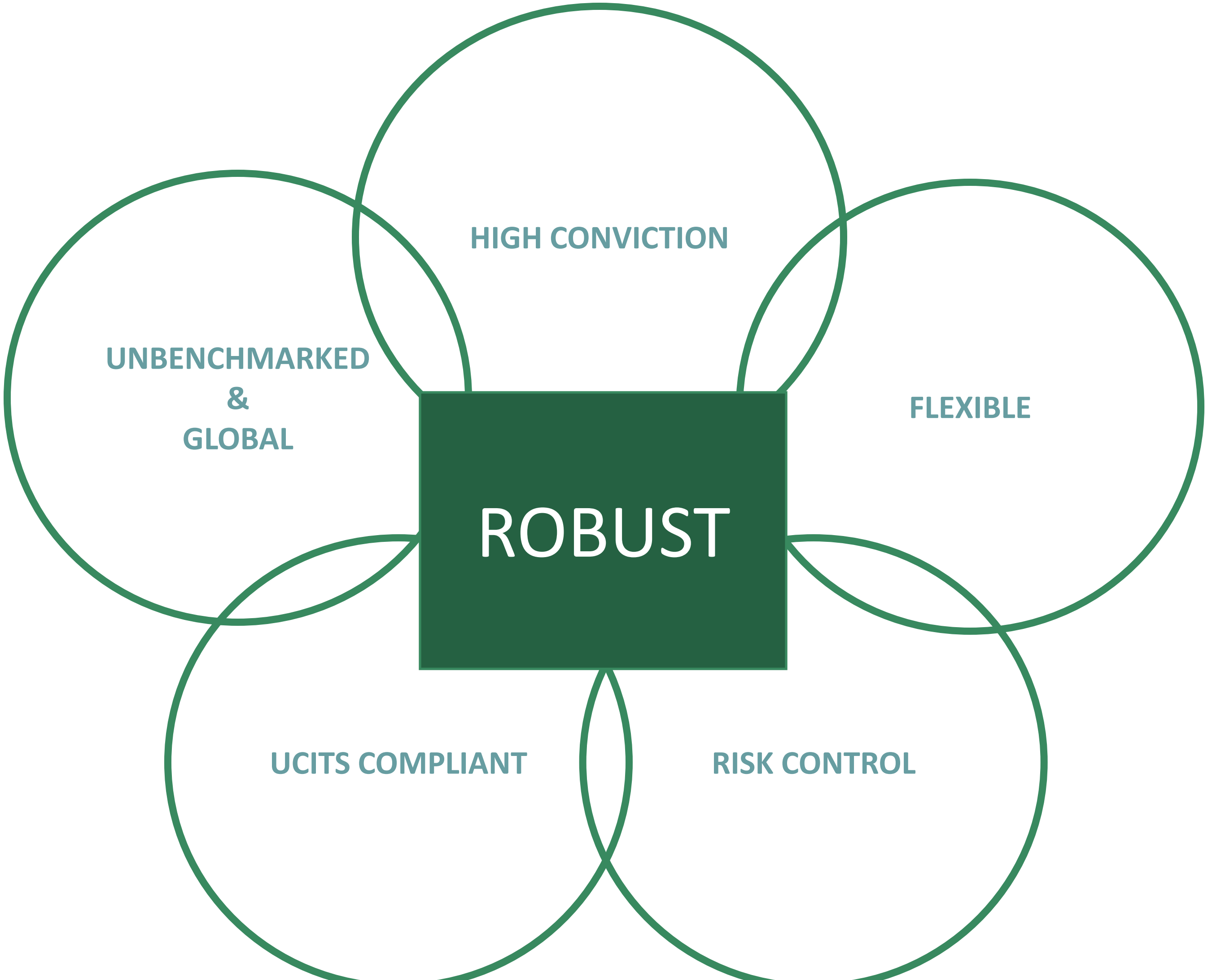
11
'15
Frederiek Van Holle
Team Leader

07
'11
Joeri Willems

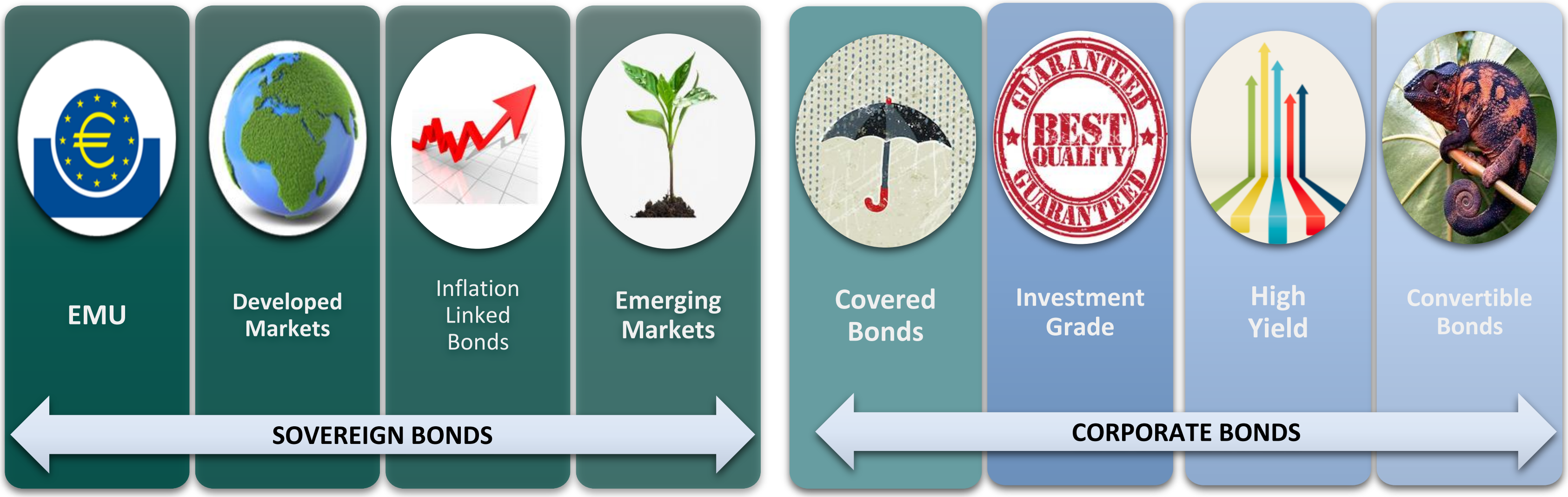
QUANTITATIVE ANALYSTS

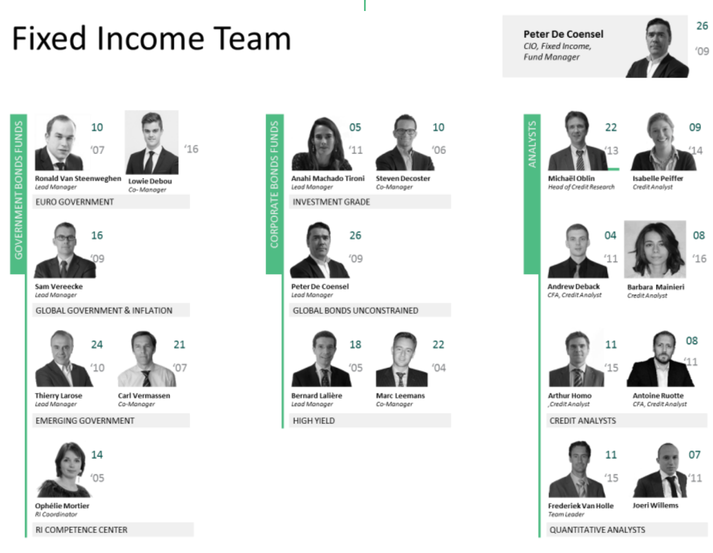
\# Years of experience # Entry date

Success factors of the unconstrained Bonds Universalis fund



Global Universe covered by seasoned fixed income team

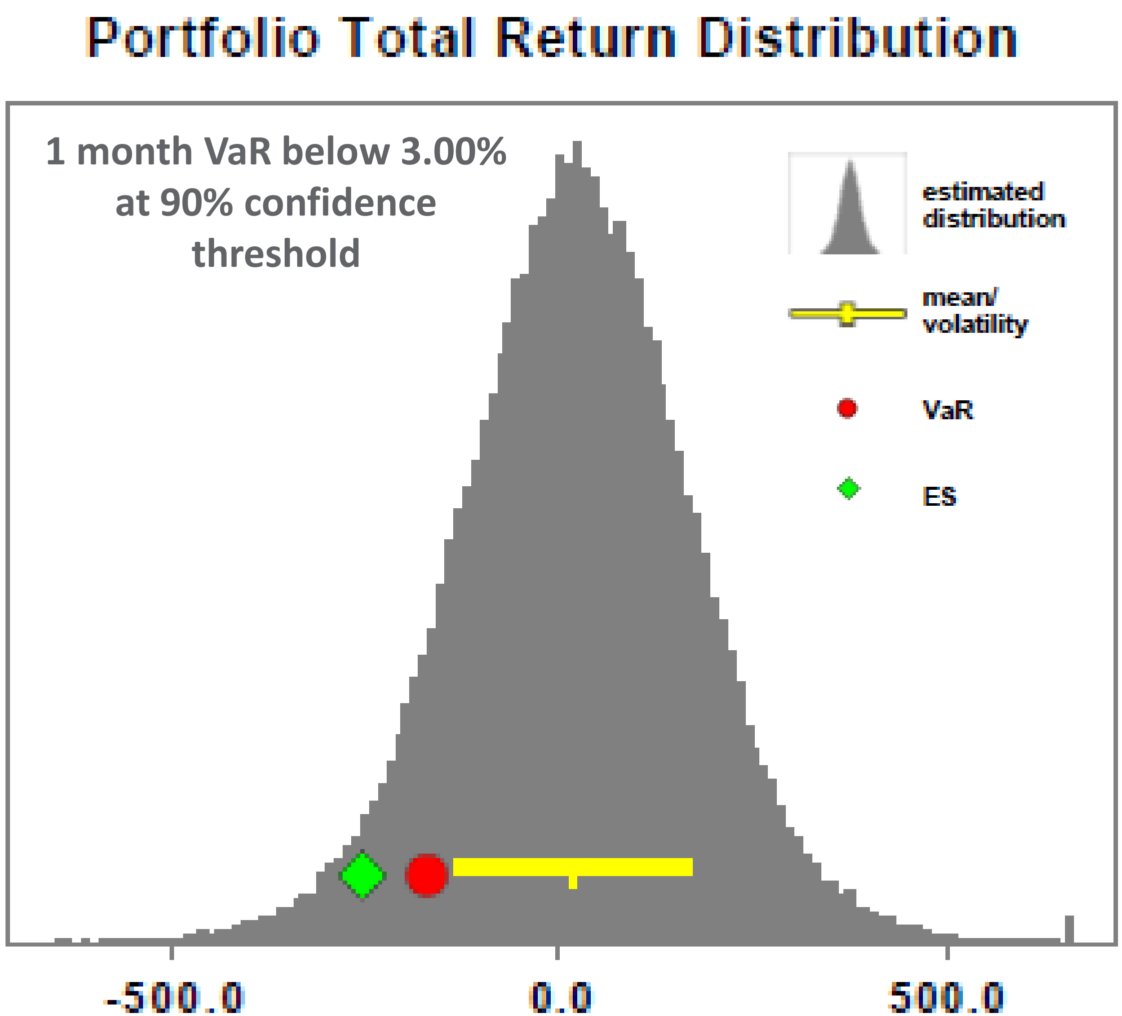




Returns driven by controlled risk factor exposure

Target annualized return of Euribor 3months + 2.00%
over a market cycle between 3 and 5 years

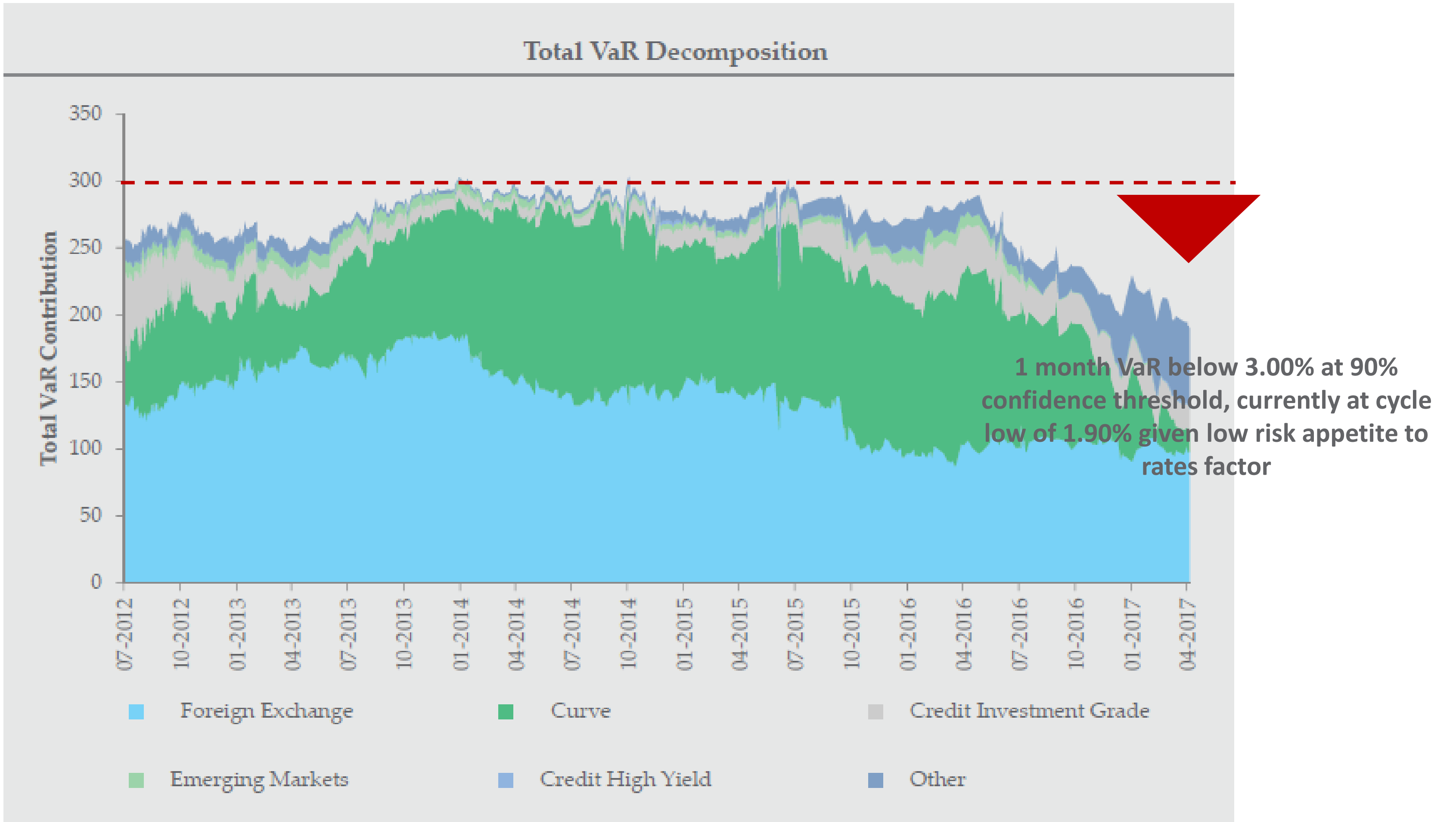
Ex-ante risk control at portfolio level (VaR framework)...



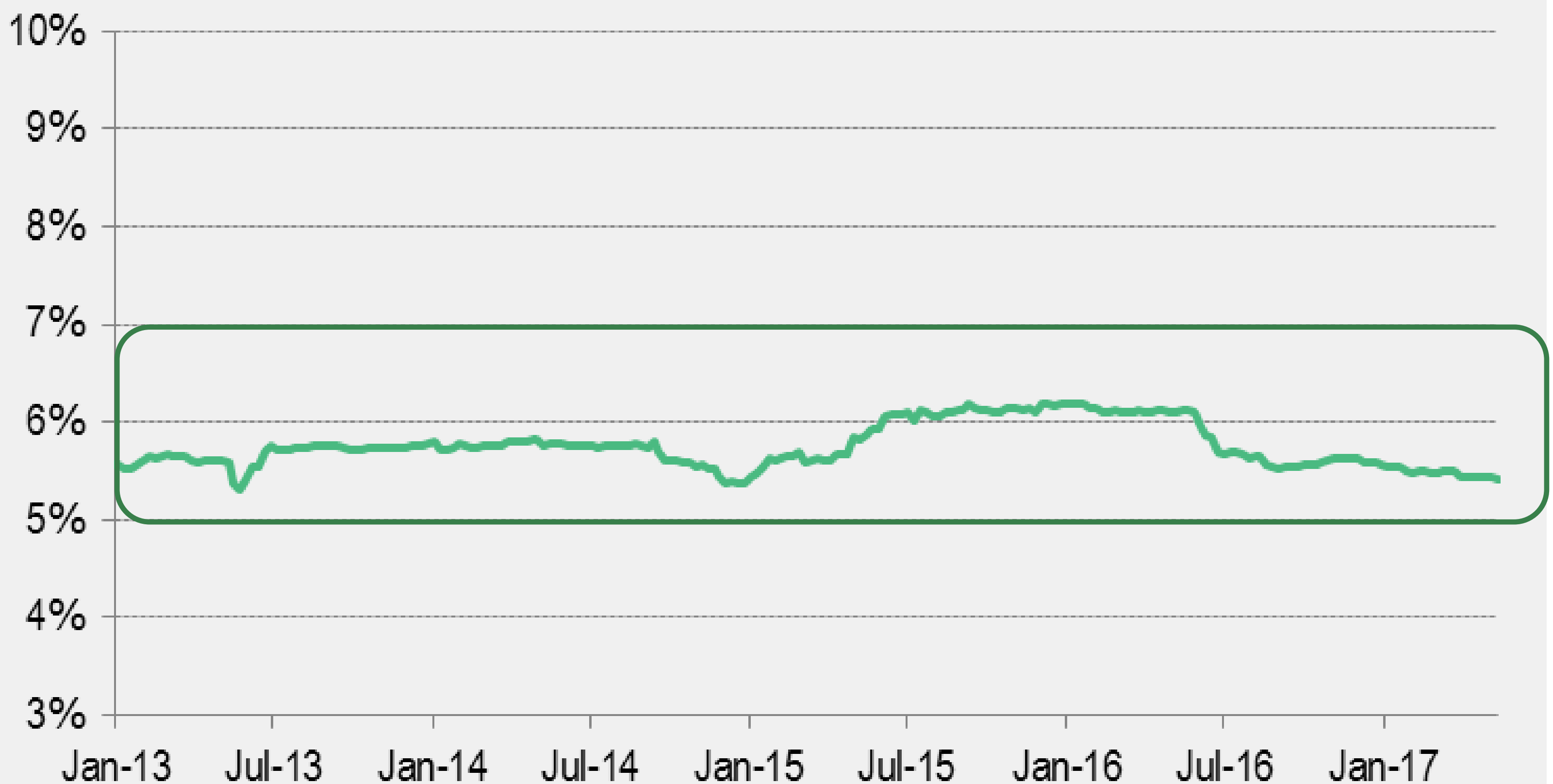
... allows for clear view across risk factors TODAY ...

Contributions to VaR	Portfolio	
	VaR 90.0%	ES 90.0%
Total (EUR)	**8,500,211.1**	**12,214,217.2**
Total (bp)	**191.6**	**275.4**
Systematic Contributions	183.7	262.6
Foreign Exchange	98.3	142.3
Curve	19.0	29.3
Inflation Linked	9.5	9.9
Swap Spreads	2.7	2.9
Volatility	-0.5	-0.8
Spread Gov-Related	30.9	48.4
Spread Credit and EMG	18.0	23.8
Spread Other	5.3	6.2
Equity	0.5	0.6
Idiosyncratic Contributions	8.3	8.5
Default Contributions	-0.4	4.2
Systematic Isolated	188.0	269.9
Idiosyncratic Isolated	34.0	48.9
Default Isolated	0.0	18.4

... and throughout time



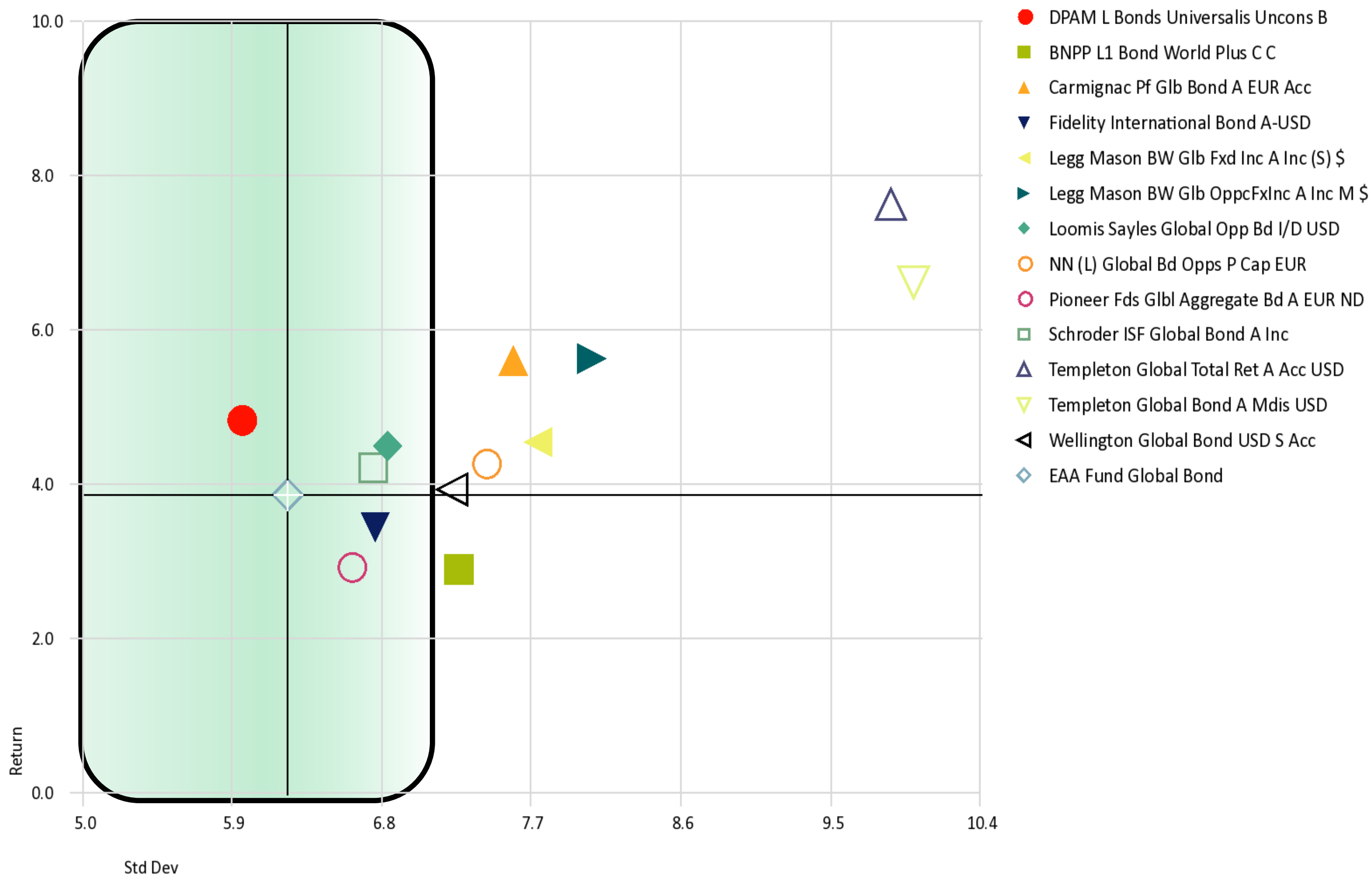
Ex-ante is confirmed ex-post! Realized volatility between 5% and 7%



Robust track record: 5 year risk adjusted annual returns (retail class)

Risk-Reward

Time Period: 01/05/2012 to 30/04/2017



Source: Morningstar Direct

Investment Process

Formulation of strategic investment view versus market conditions

MARKET ANALYSIS — FUNDAMENTAL ANALYSIS

- Relative Value & Quant Analysis
- Inflation Linked Analysis
- Issuer Analysis
- Monetary Policy Analysis
- Geo-political Analysis
- Macro-economic Analysis
- Sustainability Analysis

RISK APPETITE → PORTFOLIO CONSTRUCTION → RISK CONTROL

First Line Risk (Barclays POINT):

Risk Budgeting / Risk Allocation respecting 1 month VaR at 90% conf . below 3.00%

Performance Analysis

Trade Execution:

Pre-trade Evaluation

Market Feedback

Liquidity Analysis

Second Line Risk Management & Compliance

Investment Process

Macro Meeting

Once a month

Rates Meeting:

twice a week

Credit Meeting:

twice a week

GFIC
Group Fixed Income Committee, monthly

Group Views

Defining Risk Appetite

Interest rate volatility	Credit index volatility	Currency volatility	Political calendar
Reaction functions central banks	Equity index volatility	Commodity volatility	DM / EM valuations

PORTFOLIO CONSTRUCTION

Daily VaR and Expected Shortfall reports

Weekly correlation reports

Bottom Up Assessment

Issuer Analysis

Relative Value

Fundamental Analysis

Business Risk Profile

Financial Risk Profile

Bonds structural risk

Investment process: sizing convictions

Conviction levels and criteria

Government bonds (DM & EM)				
SIZING	**CONVICTION**	**PACE**	**HORIZON**	**RATING SUPPORT**
0% - 1%	low	initiate	< 6 months	B/B2 to AAA/Aaa
1% - 3%	medium	accumulate	6 months to 1 year	B/B2 to AAA/Aaa
3% - 5%	high/tactical view	consolidate & rotate	1 year to 3 years	Investment Grade
5% - 15%	high/secular view	consolidate & rotate	3 years to 5 years	A/A2 to AAA/Aaa

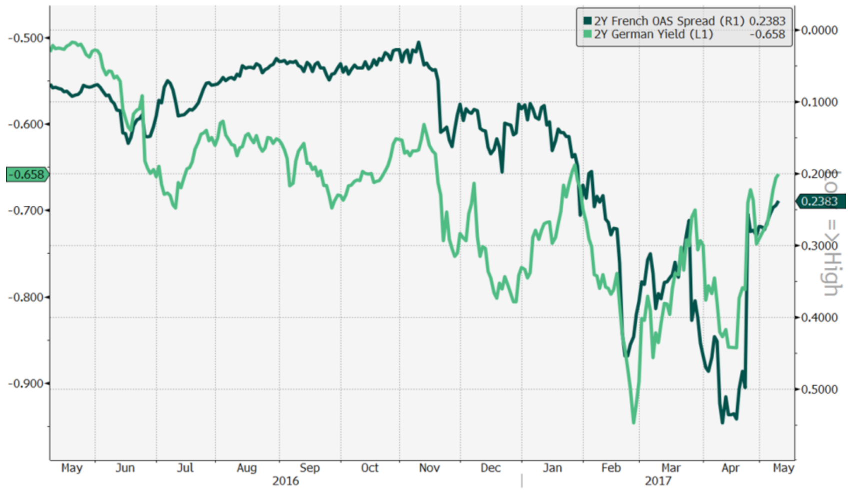
Corporate bonds (DM & EM)				
SIZING	**CONVICTION**	**PACE**	**HORIZON**	**RATING SUPPORT**
0% - 1%	low	initiate	< 1 year	B/B2 to AAA/Aaa
1% - 3%	medium	accumulate	1 year to 3 years	B/B2 to AAA/Aaa
3% - 5%	high/tactical view	consolidate & rotate	3 years to 5 years	Investment Grade

Market conditions

Our strategic market views

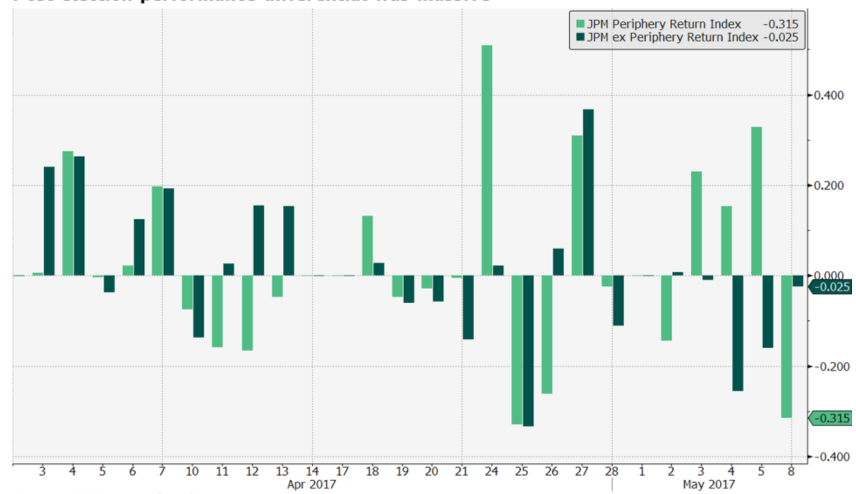
EUR Rates | French Elections

Prior Flight Quality Flows Have Reversed
Correlations with ST German rates is notable



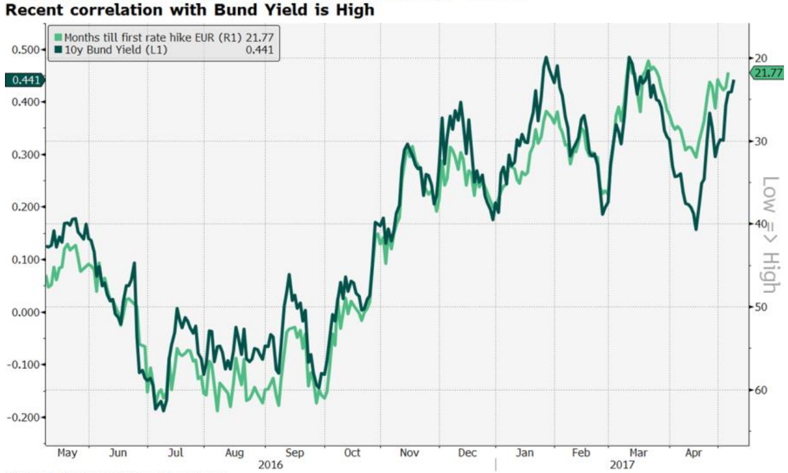
Source: Bloomberg

Periphery vs. Non Periphery
Post election performance differential was massive



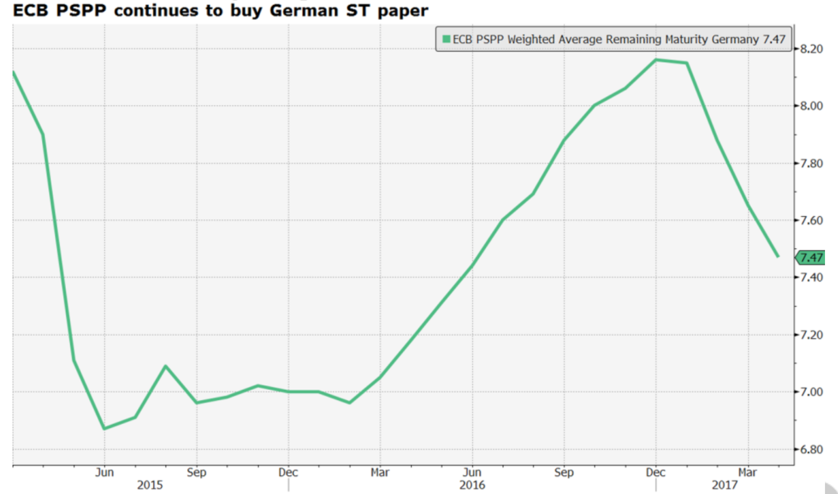
Source: JP Morgan, Bloomberg

Markets Expecting a First Rate Hike in 2019
Recent correlation with Bund Yield is High



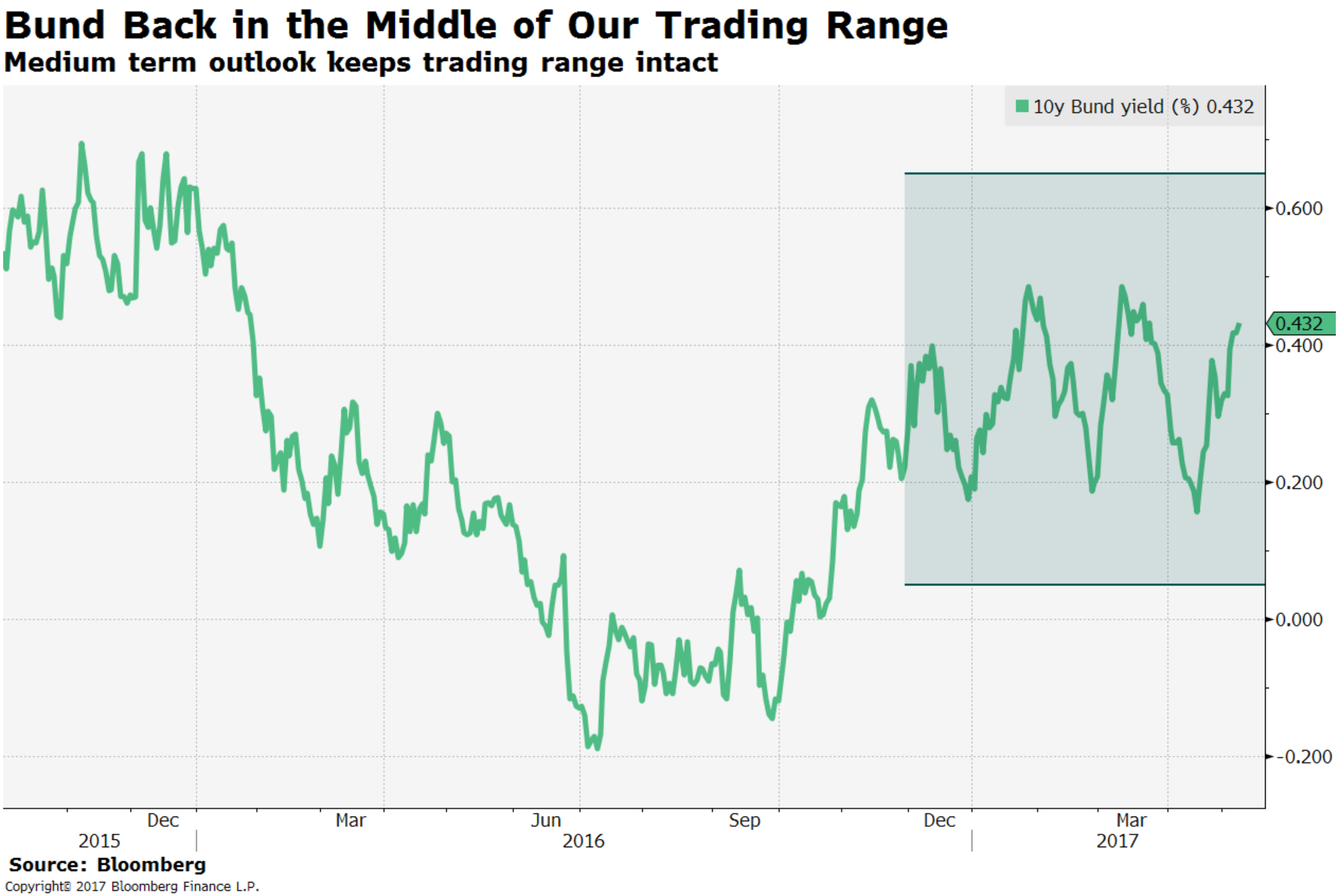
Source: Morgan Stanley, Bloomberg

ECB Induced Steepening Bias Remains Intact
ECB PSPP continues to buy German ST paper



Source: ECB

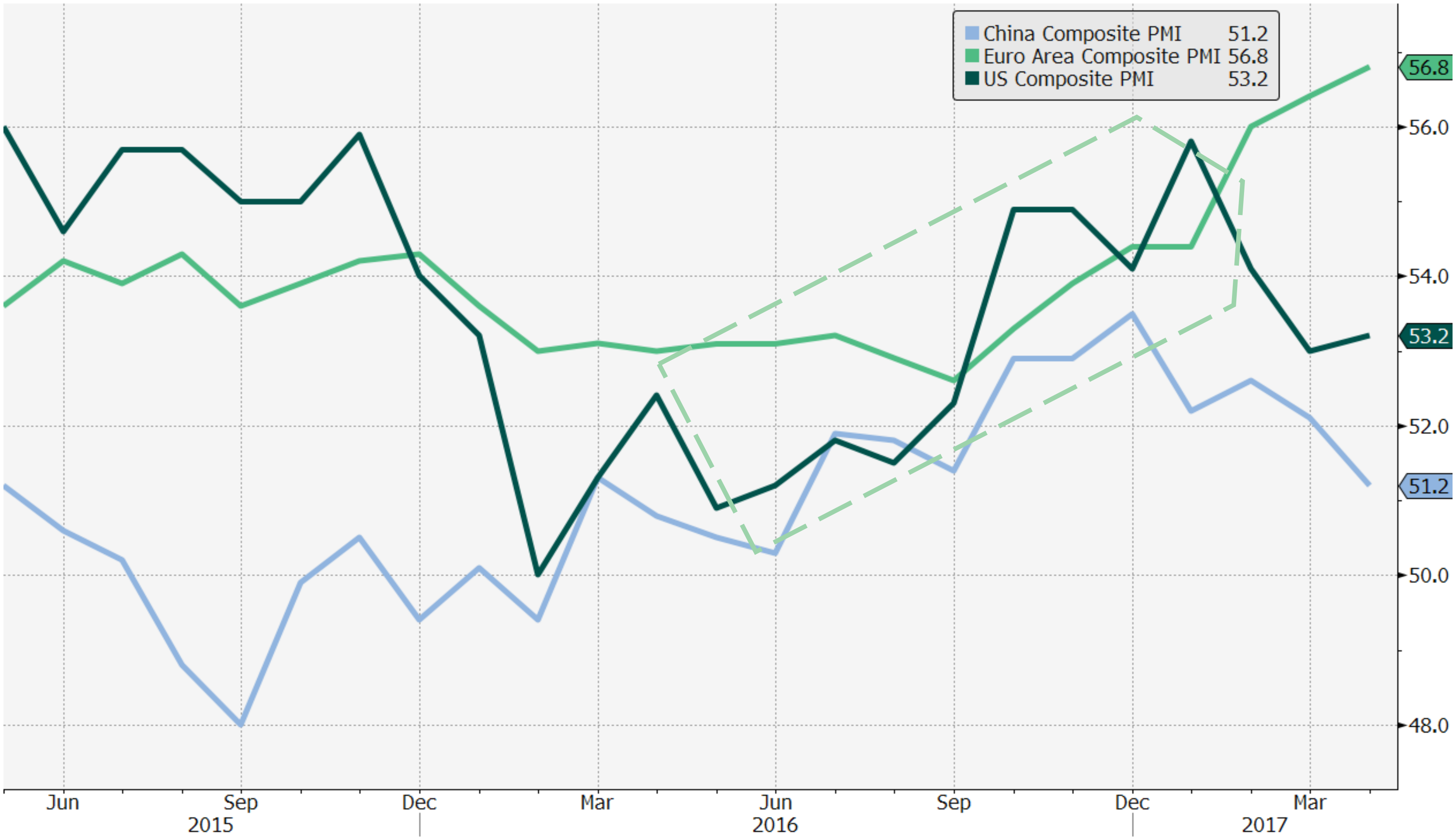
EUR Rates | Bund Outlook



EUR Rates | Growth Outlook

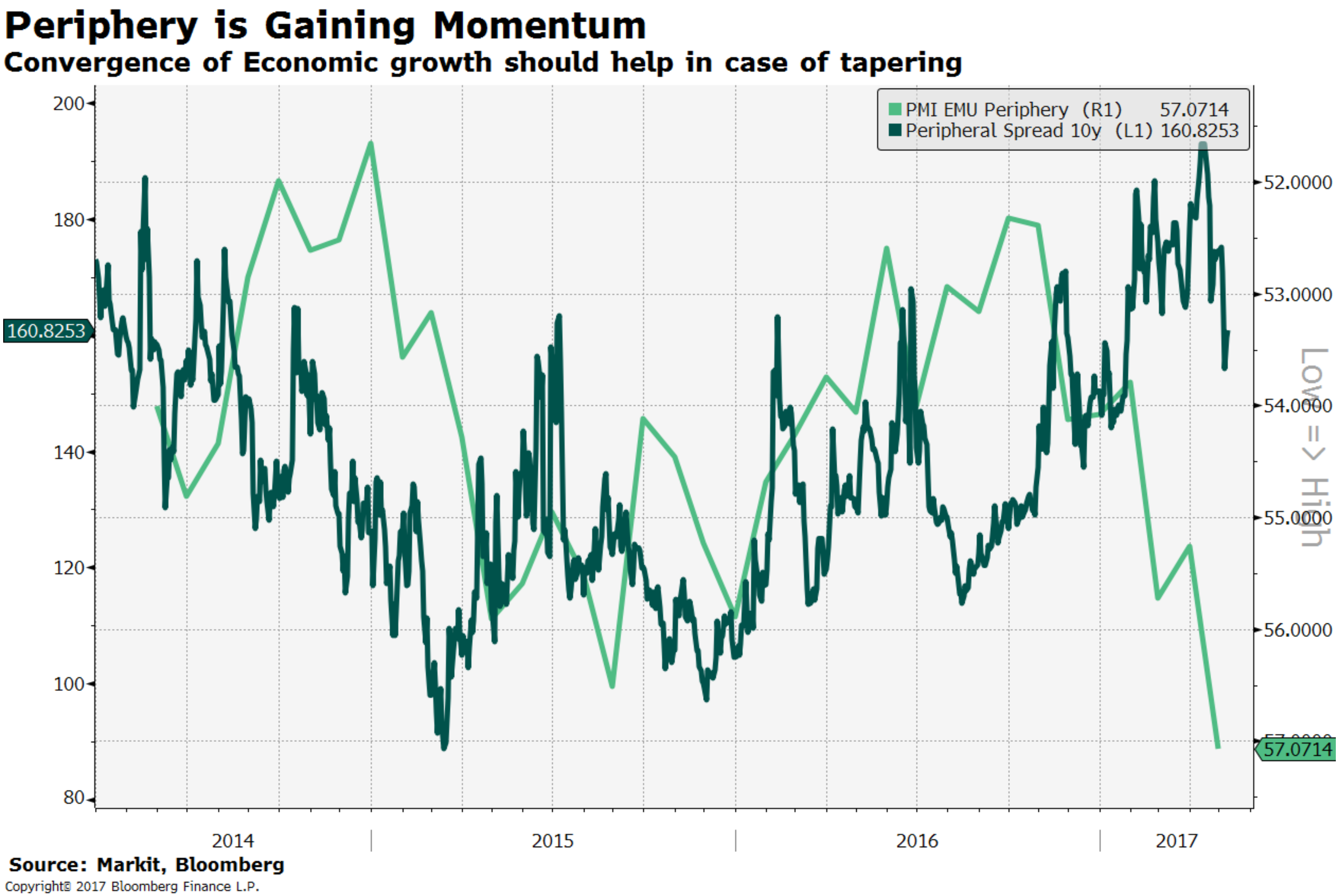
Cracks in Global Growth Momentum?

US Q1 soft data and China loosing traction

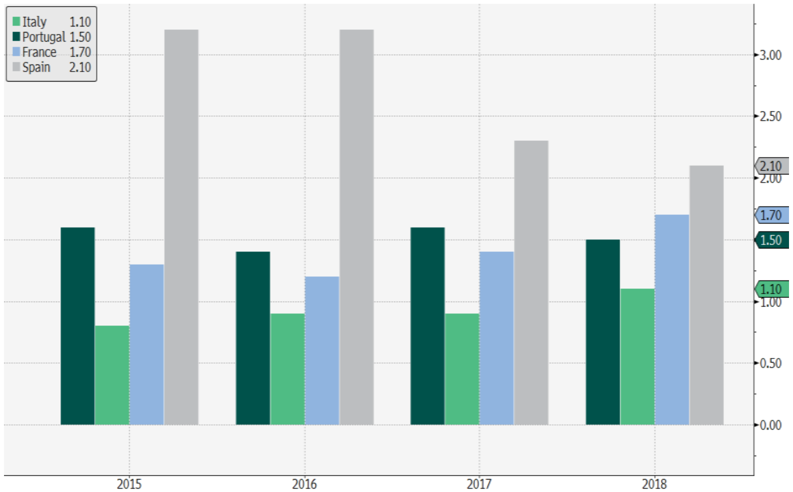


Source: Markit

EUR Rates | Country Allocation

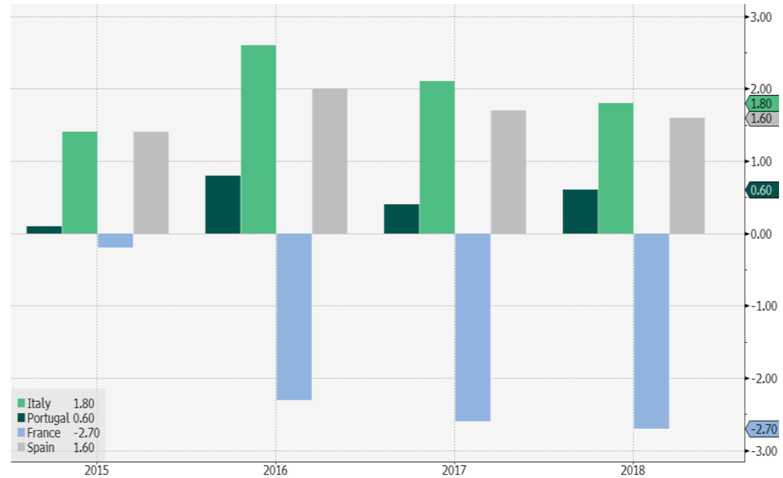


Growth Outlook Converging
French outlook is not materially different from periphery



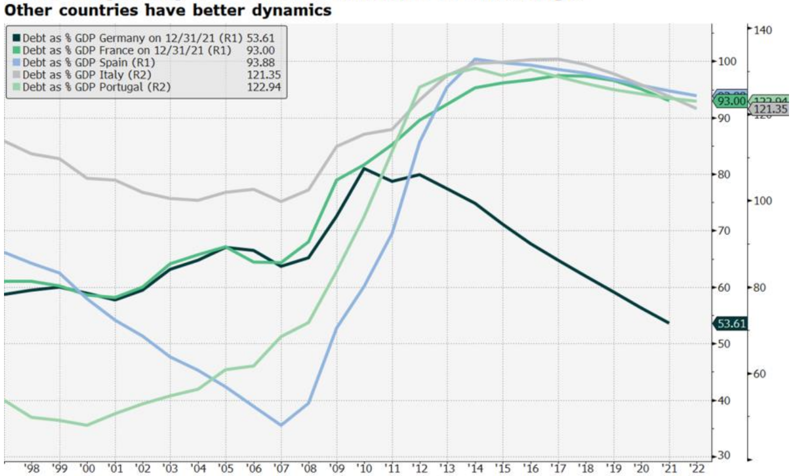
Source: European Commission
.ECGRIT U Index (EC Real GDP Growth IT) GDP Growth Yearly 31DEC2015-31DEC2019 Copyright© 2017 Bloomberg Finance L.P. 09-May-2017 10:58:55

Current Account is Improving Fast in Iberian Countries
French outlook worsening in stead of improving



Source: European Commission
.ECCAIT U Index (EC Current Account Italy) Current Account FR Per Yearly 31DEC2 Copyright© 2017 Bloomberg Finance L.P. 09-May-2017 10:56:57

Debt Trajectory For France Remains A Challenge
Other countries have better dynamics



Source: IMF
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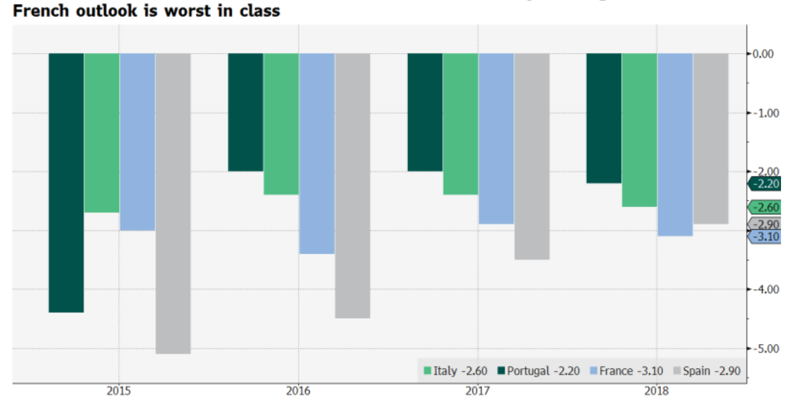
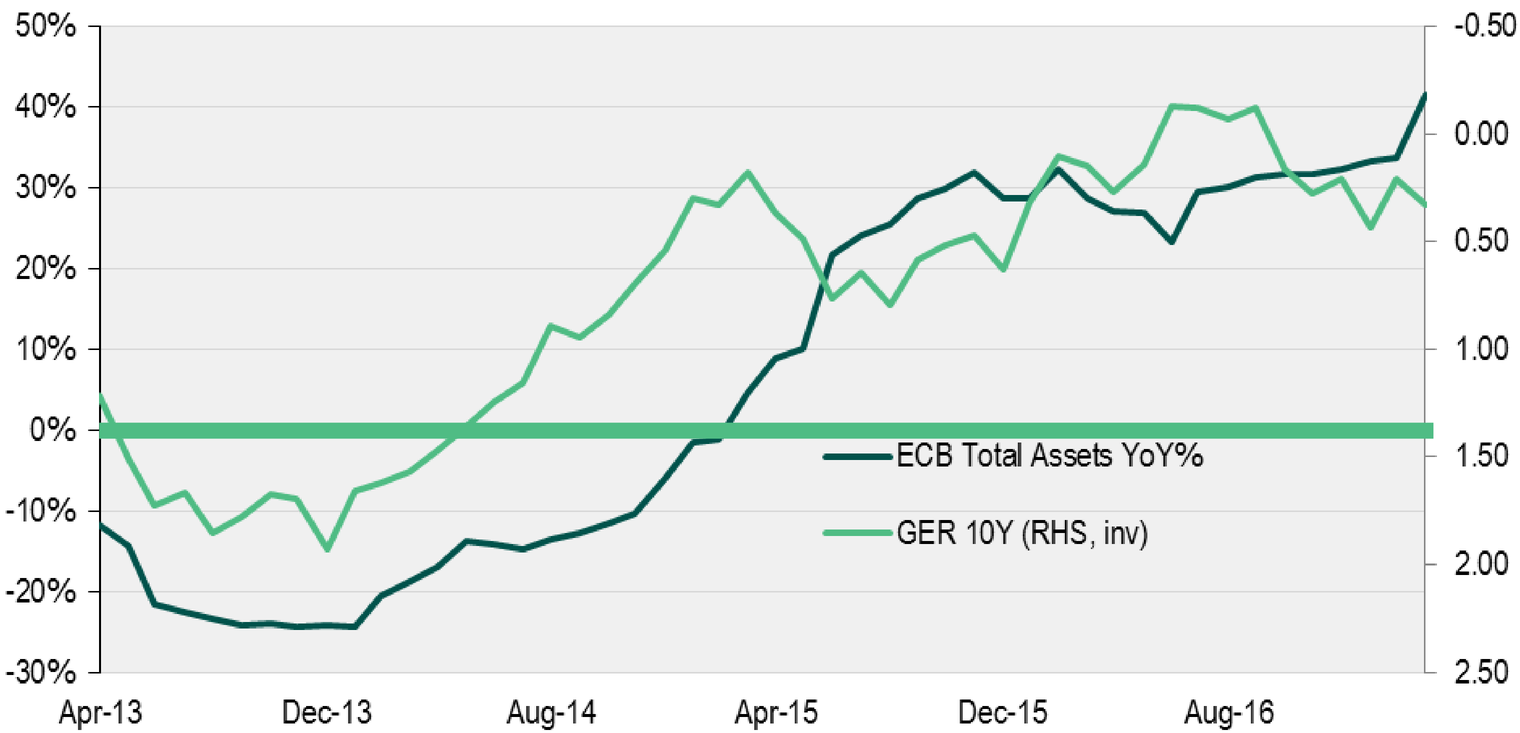
Fiscal Balance of the Iberian Countries is Improving
French outlook is worst in class



Source: European Commission
.ECFBIT U Index (EC Fiscal Balance Italy) Fiscal Balance FR Perip Yearly 31DEC2 Copyright© 2017 Bloomberg Finance L.P. 09-May-2017 10:55:16

EUR Rates – ECB Balance Sheet Size matters

We see German 10 year rates trending towards 1.25% - 1.50% as the ECB tapers and stops its active QE program at the end of 2018, early 2019.



EUR Rates | Summary View Outlook

Expect **steeper** curves

Central banks are communicating willingness for steeper curves. Sequencing of asset purchases and interest rate hikes should induce steepening bias.

Expect **higher core rates** throughout the year

Economic recovery is well on track in Euro Area … **monitor whether US softness in data in seasonal effect and how China evolves**. Current valuations remain historically expensive but flight to quality flows have reversed … **ECB communication will be key over the coming weeks**. Trading range currently maintained at 5bps - 65 bps

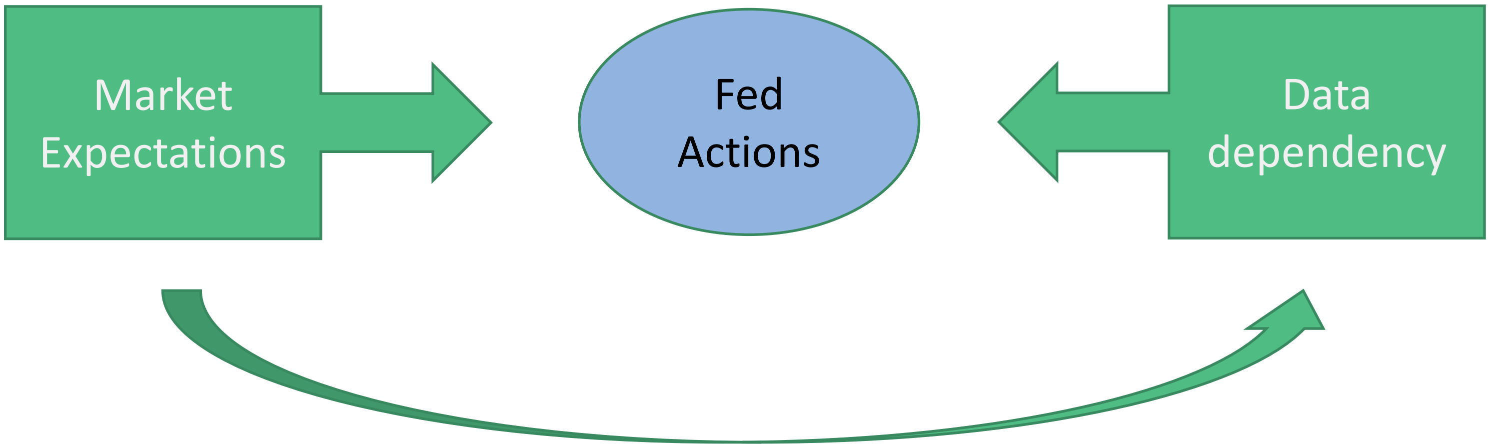
Expect Inflation linked bonds to act as a hedge for higher rates

Current valuations remain OK … base effects have faded! Slack in the economy will keep it below target. Deflation fears are no more present.

Expect spread tightening once French Elections are OK

Busy political calendar in Europe. Financial market have been spooked by surprise results in outcome of Brexit and US elections**. French election result is market friendly outcome. Looking for carry and roll-down + diversification East. Spreads risk factor loads high in current portfolio**

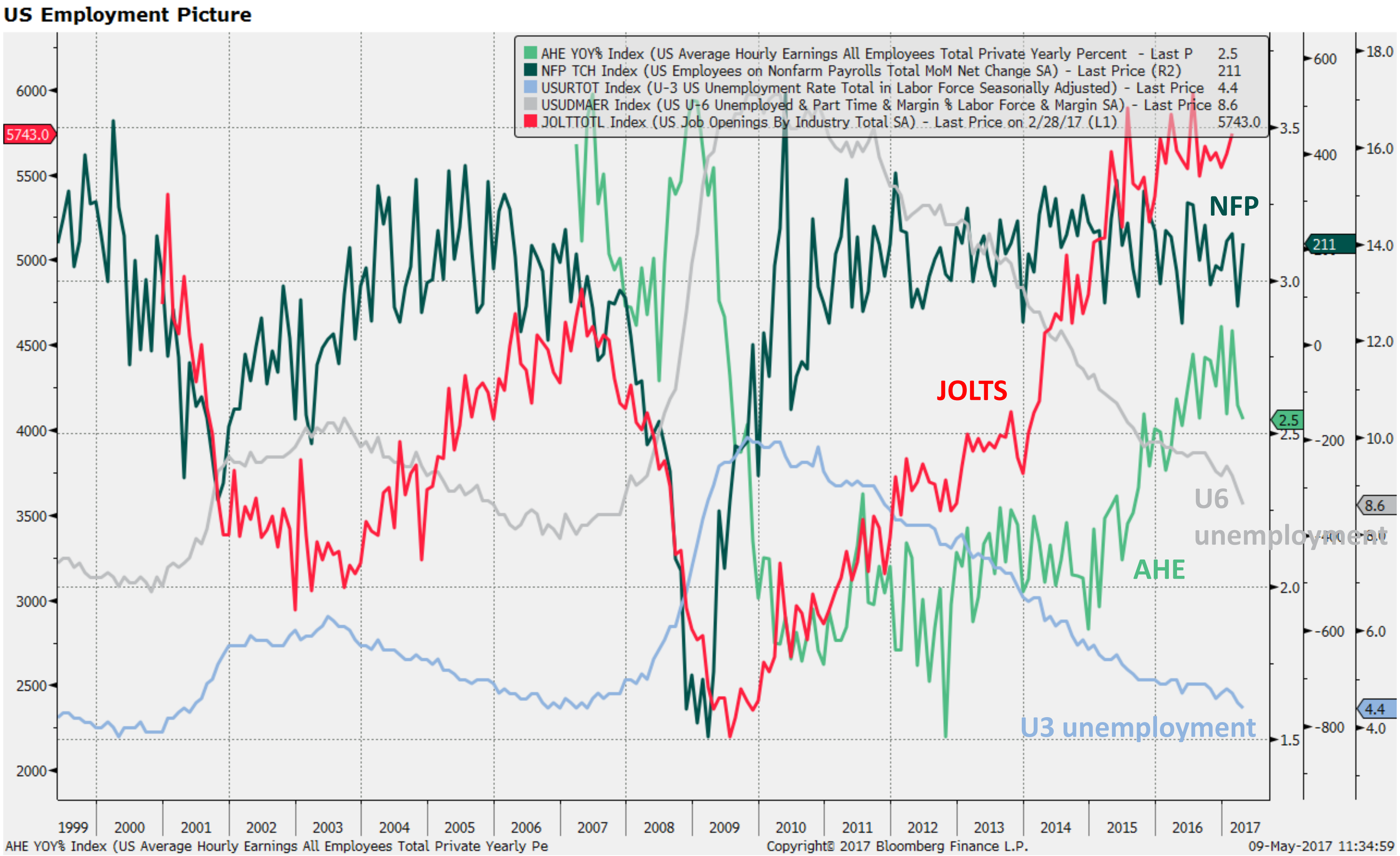
FED behaviour



Fed convinced Q1 weakness is temporary
Fed will therefore stick to its projected hiking path:

- 2 more hikes in 2017
- Modification of QE reinvestment policy
- 3 hikes in 2018

Inflation outlook supportive for steady policy hiking path by Fed



Outlook US rates

Market pricing 1.5 more hikes, we expect 2 more in ‘17

United States											
General View											
Horizon		FED			MM		2Y	5Y	10Y	30Y	Comment
		TARGET LOW	EFFECTIVE	TARGET HIGH	US OIS	LIBOR 3M					
-1M		0.75	0.93	1.00	0.93	1.16	1.23	1.83	2.30	2.93	
Spot		0.75	0.91	1.00	0.93	1.18	1.33	1.91	2.39	3.02	
3M	fwd rate		-	-	1.13	1.45	1.47	2.02	2.47	3.05	We see a hike in 3 hikes in 2017, market expects 2. This will need to push up short rates. Short/Medium term rates might come under pressure, but long end provides attactive carry which we want to capture. Linkers provide a good alternative. We remain cautious on duration, but prefer long real bonds as real rates are likely better protected against yield increases (10-30 years).
	DP forecast						↗	↗	↗	→	
	BB Consensus (Q1 17)	0.95	-	1.2	-	1.33	1.48	-	2.6	-	
1Y	fwd rate		-	-	1.41	1.69	1.77	2.28	2.65	3.13	We don’t see the risk of a recession over the next year. Rates are fairly priced towards the long end. There is not a lot of Trump policies priced in. These should not be overestimated, but could nonetheless provide upside rate risk.
	DP forecast						↗	↗	↗	→	
	BB Consensus (Q4 17)	1.41	-	1.65	-	1.81	1.93	-	2.9	-	
3Y	fwd rate				1.88	2.22	2.49	2.76	3.01	3.29	Rates normalisation on the longer end of the curve following improvement in global outlook, in which case 10 year rates trend towards 3%, 30 year rates to 3.5%, reflecting a convergence towards moderate growth and inflation over the longer term. This medium to long term moderate growth outlook is based on expected demographic effects, combined with low productivity increases and remaining high debt levels. Market is now pricing this in.
	DP forecast						→	→	→	→	
	BB Consensus	-	-	-	-	-	-	-	-	-	

Positioning US rates

- Longer term (3 years out) we see 10y at 3%, 30y at 3.5%
- This is roughly in line with the 3y forward curve
- Current yields very low – move to target may be front loaded
- *Higher treasury yields more likely through higher break-evens*
  - Real yields are expected to remain structurally low over long term
  - We protect portfolio with an allocation to US linkers (10y + part of real curve)
  - “All things being equal, linkers are 50% less likely to be impacted when rates rise…”

Positioning EM rates

- Medium term fundamentals remain very supportive. However, we are seeing a number of short term factors signalling a potential consolidation/correction in the market:
  - weaker commodity prices
  - higher US real interest rates
  - underperformance of manufacturing PMIs vs. Developed Market Economies

- That said, longer term factors are still in positive territory, including hard economic data forecasts, attractive valuations and unabated positive flows into the EMD segments (in both hard and local currency), showing that risk appetite does not seem to be at major risk right now.

- We opt to run a cautiously positive stance in the allocation towards EM FX and rates

Positioning IG grade corporate credit

- The growth and inflation backdrop, coupled with reduced political risks, has managed to keep credit in the sweet spot.

- The Eurosystem has bought €82bn of corporate bonds since June 8th under its corporate sector purchase program (CSPP).

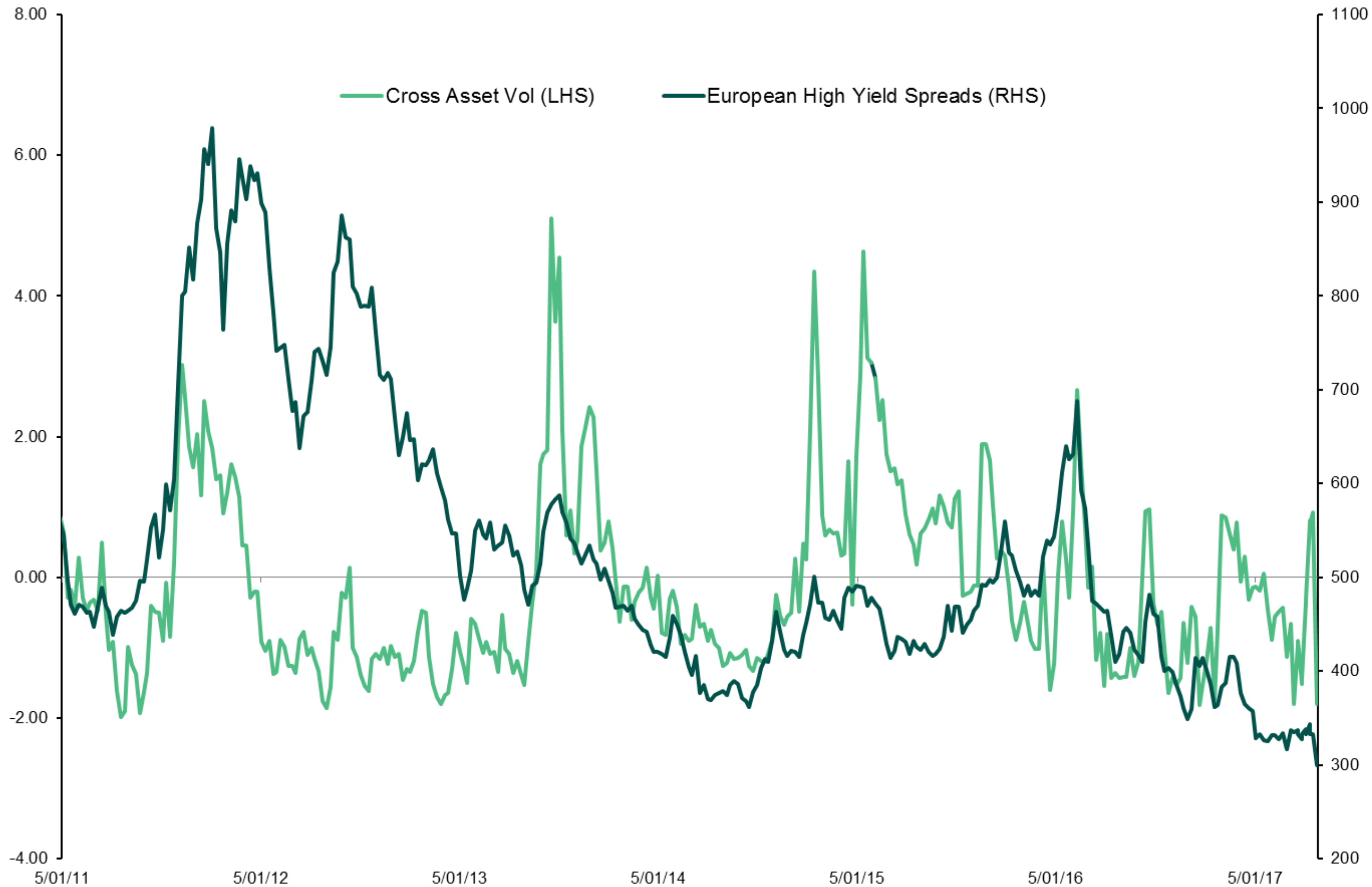
- **Carry** supports IG credit. The ECB will continue to use extraordinary monetary policy tools to provide a framework for risk sharing and supporting the slow-but steady economic recovery (even after a 2nd announcement of a reduction in the ECB's monthly purchases planned for 2018).

- Default risk to remain under control for the foreseeable future thanks to sufficiently robust credit fundamentals and low interest

Positioning HY corporate credit

- Today macro and micro fundamentals are supportive for the HY asset class.
- However, the current spread level fully reflects it. At current level, spreads do not provide sufficient cushion to protect against any important increase in rates or any decline in equity market valuation.
- In the US, the rally continued at the same pace as in Europe. We remain out of US HY as the sector is well advanced in the credit cycle and prone to ETF driven selling pressure the moment the market encounters stress.

Positioning € HY corporate credit: holding onto IG candidates



The Fund

Value proposition and convictions

Proposition May 12th 2017: yield of 2.79% (2.20% + 0.59%)

DPAM L Bonds Universalis Unconstrained

	Univers
YTW	**1.36**
YTW (Mod Dur Weighted)	**2.20**
Inflation Breakeven	**0.34**
Inflation BE (Mod Dur Weighted)	**0.59**
ModDur	**3.13**
AUM (MM)	**445**
Rating	**A**
LCS (liquidity cost score in %)	**0.46**

Country distribution: relative value in France, Italy, Spain and Portugal

Weight / Country

	Univers
Cash	6.19%
Austria	-
Belgium	3.36%
Denmark	-
Finland	0.61%
France	10.14%
Germany	1.38%
Greece	-
Ireland	0.66%
Italy	8.95%
Luxembourg	-
Netherlands	3.40%
Norway	-
Poland	-
Portugal	3.31%
Spain	11.31%
Sweden	4.28%
Switzerland	5.35%
United Kingdom	7.48%
United States	28.81%
OtherDev	3.13%
OtherEM	4.15%
Fund	-
Deriv	-2.51%
Other	-
Total	100.00%
GIIPS	24.23%
EMU countries	43.13%

France (10.14 % AuM)

- **EDF: 3.54%**
- **Total: 2.67%**
- **Ingenico: 1.68% (convertible)**
- **Axa: 1.23%**
- **BNPP: 0.67%**
- **Imerys: 0.34%**

Italy (8.95% Aum)

- **Italian Gov. Bonds: 7.09%**
- **Enel: 1.86%**

Spain (11.31% AuM)

- **Spanish Gov. Bonds: 9.83%**
- **Santander: 0.98%**
- **Telefonica: 0.50%**

Portugal (3.31% Aum)

- **Portugal Gov. Bonds: 1.72%**
- **EDP: 1.59%**

Mod Duration Contribution / Country (Analysis not valid with Equity in portfolio)

	Univers
Cash	-
Austria	-
Belgium	0.14
Denmark	-
Finland	0.00
France	0.78
Germany	0.05
Greece	-
Ireland	0.07
Italy	0.95
Luxembourg	-
Netherlands	0.26
Norway	-
Poland	-
Portugal	0.29
Spain	1.68
Sweden	0.52
Switzerland	0.35
United Kingdom	0.69
United States	3.70
OtherDev	0.19
OtherEM	0.20
Fund	-
Deriv	- 6.75
Other	-
Total	3.13

Currency distribution: lowered USD exposure by 5% in favor of SEK, CAD & AUD

	Universalis
EUR	53.40%
USD	32.89%
GBP	0.57%
JPY	0.14%
DKK	-
NOK	-
SEK	3.97%
HUF	-
PLN	0.00%
CAD	1.99%
BRL	3.14%
MXN	0.01%
ZAR	2.47%
AUD	0.78%
ISK	-
TRY	-
ARS	-
CHF	-
HKD	-
RUB	-
NZD	0.64%
ITL	-
GHS	-
NGN	-
Other	-
	-
Total	100.00%
EMG All	5.63%

Contribution to duration (CTD) per currency

- Prefer USD rate duration via US TIPS & IG US corporate bonds: CTD of +3.83

- CTD in Euro at -0.40
- CTD in GBP at -1.21

Mod Duration Contribution /Currency

		Univers
EUR	-	0.40
USD		3.83
GBP	-	1.21
JPY		-
DKK		-
NOK		-
SEK		0.52
HUF		-
PLN		-
CAD		0.12
BRL		0.16
MXN		-
ZAR		0.05
AUD		0.03
ISK		-
TRY		-
ARS		-
CHF		-
HKD		-
RUB		-
NZD		0.03
ITL		-
GHS		-
NGN		-
Other		-
		-
Total		3.13

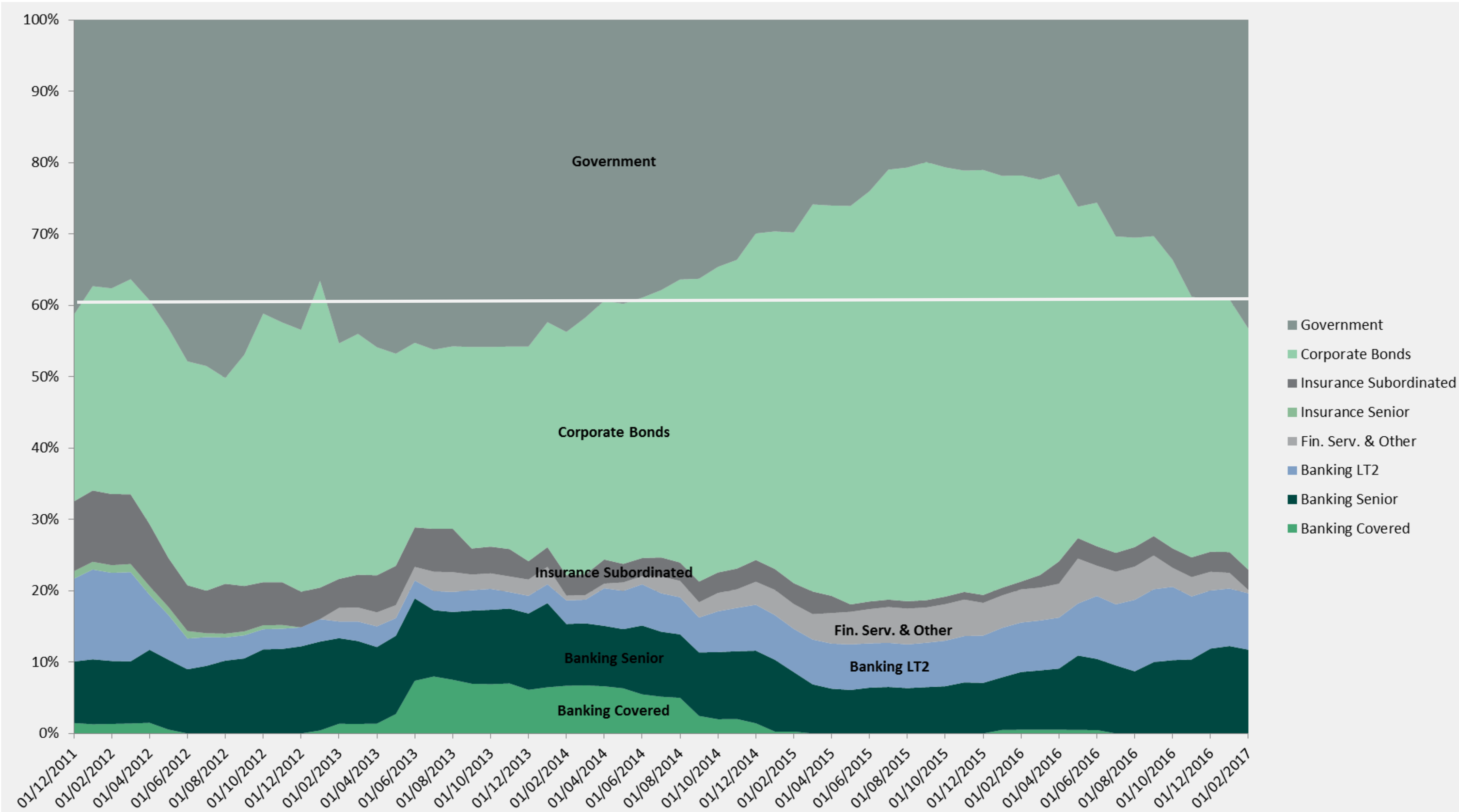
Modest EM FX exposure

Defensive rate exposure

Main components: increased allocation to government bonds and financials; reduced allocation to IG credit and exited on EM credit

Weight / Building Block	Universalis
Cash	6.18%
Nominal Govt	23.65%
Inflation Linked	20.15%
Covered	-
Financial	23.33%
High Beta Corp	4.28%
Low Beta Corp	23.22%
Convertible	1.68%
Emerging Corp IG	-
Rate & Credit Hedges	-2.51%
Equity	-
Other	0.00%
Total	100.00%

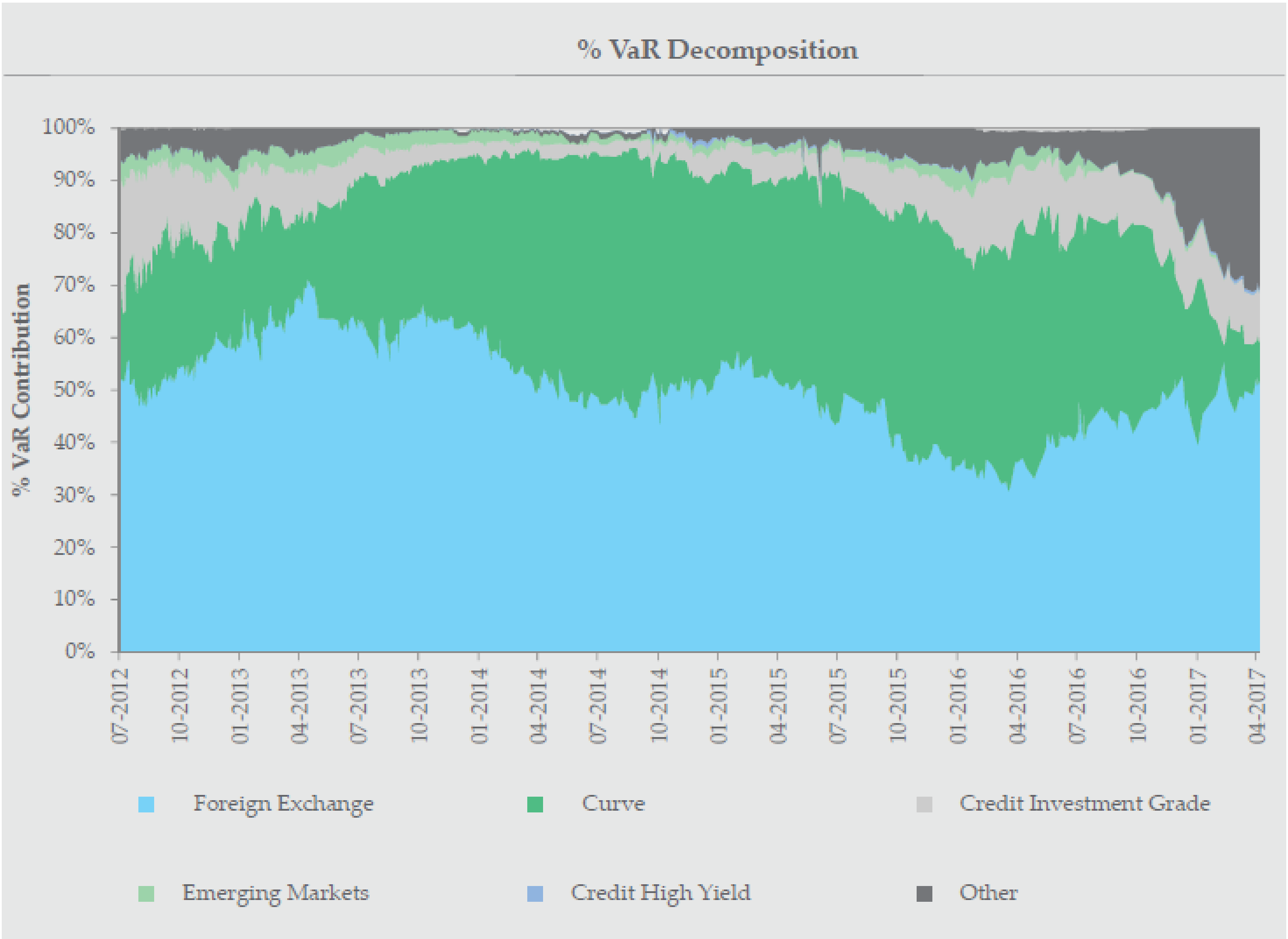
Sector exposure through time: as of Q1 2016 slow rotation out of credit into government bonds



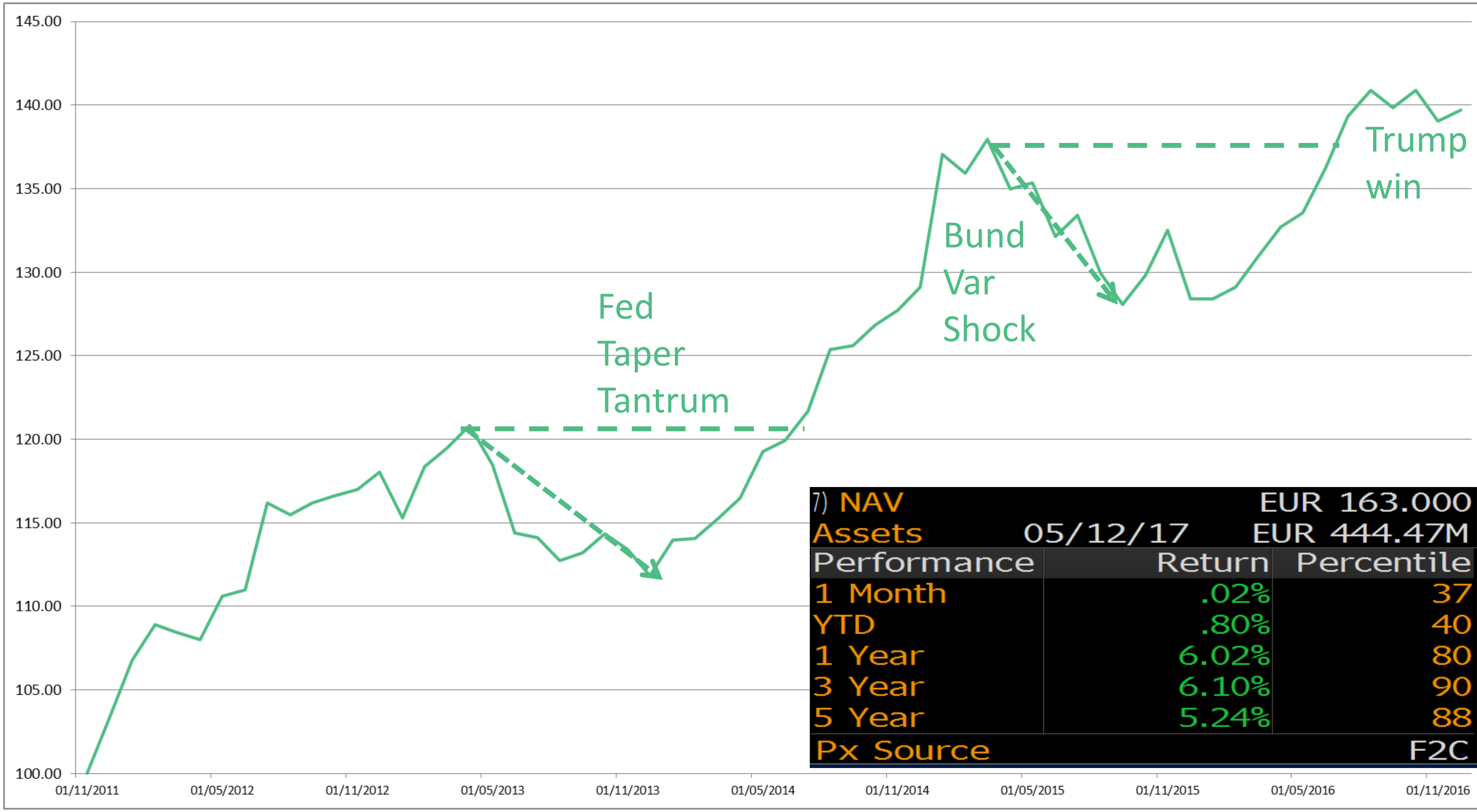
Momentum, carry, value and protection accents within fund

	Rates	Credit	FX
Momentum	Stalling	Stalling	USD
Carry	Spain/Italy	USD IG credit	BRL and ZAR
Value	US long end TIPS Portugal	€ HY and IG corporate hybrids	SEK
Protection	Short 30y Bund Short 10y Bund Short 30y US Long Bond Short 10y Gilts	**Long Itraxx Crossover protection**	GBP

Ex-ante risk factor exposures through time



Above average capital growth...



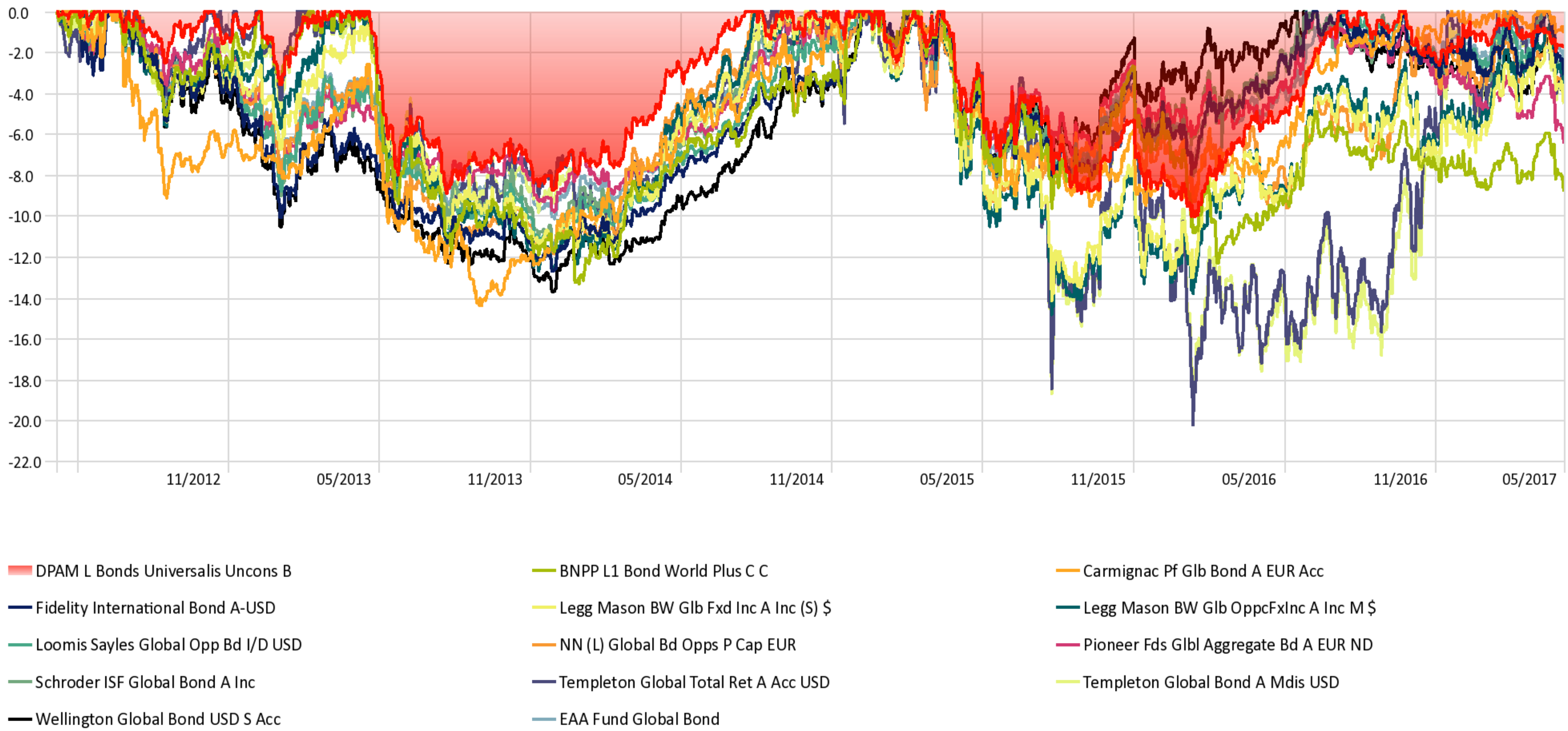
7) NAV		EUR 163.000
Assets	05/12/17	EUR 444.47M
Performance	Return	Percentile
1 Month	.02%	37
YTD	.80%	40
1 Year	6.02%	80
3 Year	6.10%	90
5 Year	5.24%	88
Px Source		F2C

...with below average drawdowns

Drawdown

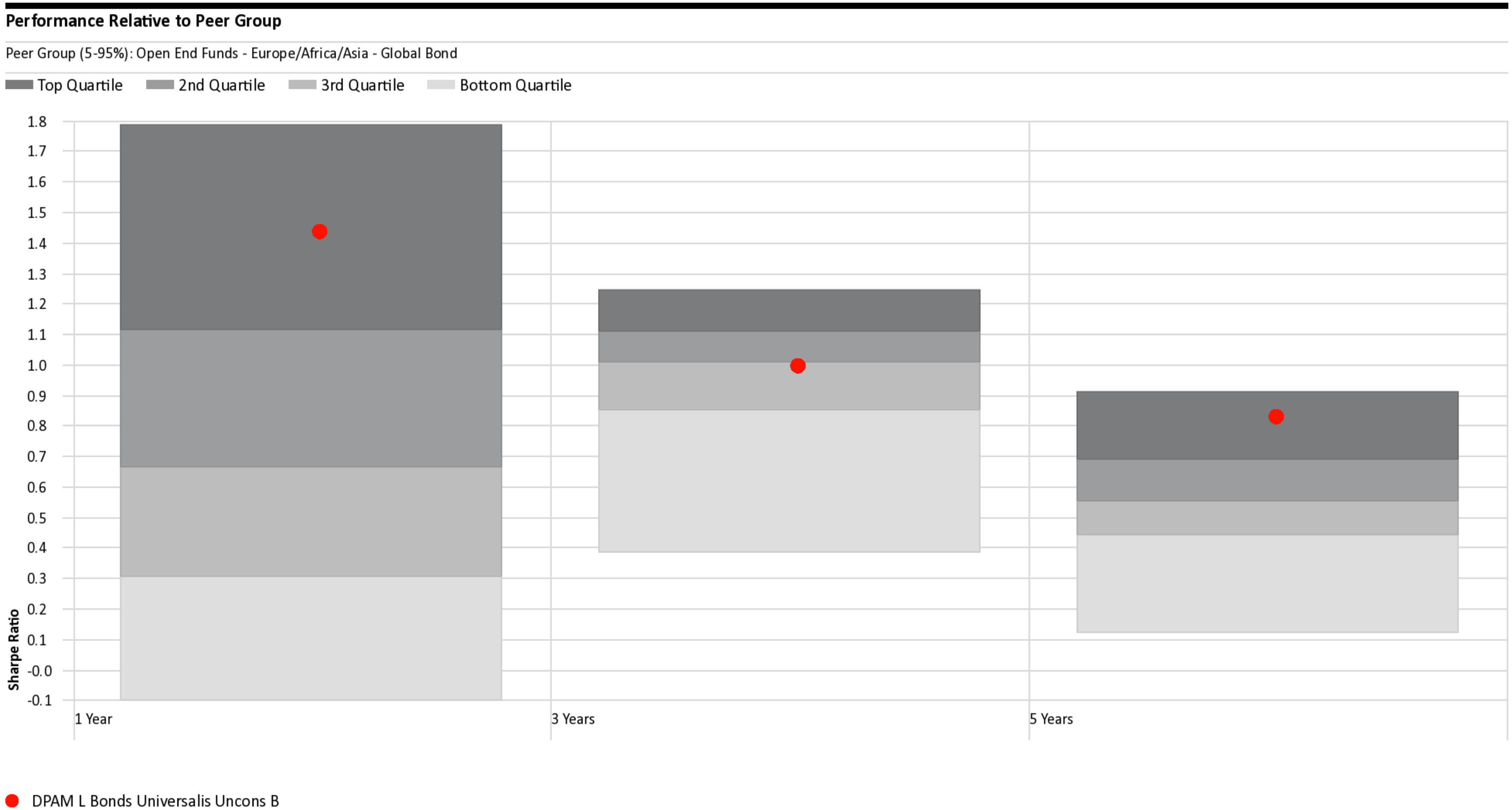
Time Period: 06/05/2012 to 05/05/2017

Source Data: Daily Return



Source: Morningstar Direct

Ranking according to Sharp ratio by Morningstar: category Global Bonds



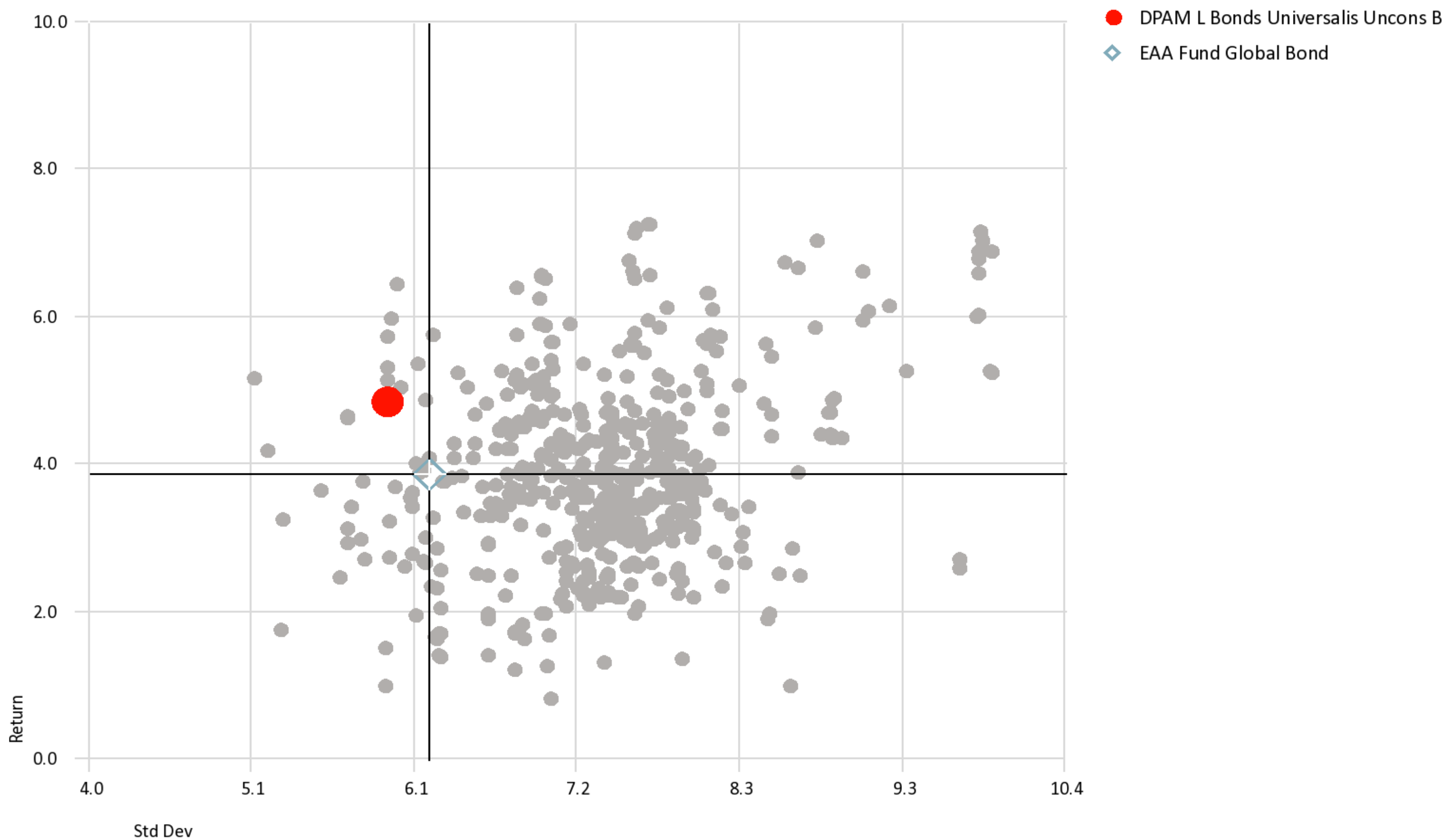
Source: Morningstar Direct

Ranking according to Return/StdDev by Morningstar: category Global Bonds

Risk-Reward

Time Period: 01/05/2012 to 30/04/2017

Peer Group (5-95%): Open End Funds - Europe/Africa/Asia - Global Bond



Source: Morningstar Direct

Why unconstrained in bonds?

- Flexible and high conviction approach bypassing specific sectors
- Attractive alternative for yield-seeking investors
- We source and assemble bond risk premia globally across liquid bond markets
- Our credit selection is researched by dedicated analysts
- The fund respects a defined volatility range through a proven risk control process
- The fund avoids complacency

DPAM L Bonds Universalis Unconstrained

ISIN-Code	WKN	Share Class	Type of investor	Type of share	Fund Domicile	Currency	Subscription Fee	Management Fee
LU0138638068	691371	A	retail	DIS	Luxembourg	EUR	Max 2%	0,75%
LU0138643068	983762	B	retail	CAP	Luxembourg	EUR	Max 2%	0,75%
LU0174543826	A0PDR2	E	institutional	DIS	Luxembourg	EUR	Max 1%	0,40%
LU0174544550	A0PDR3	F	Institutional	CAP	Luxembourg	EUR	Max 1%	0,40%

More information about the funds of Degroof Petercam AM can be found on the website www.degroofpetercam.com or https://funds.degroofpetercam.com.

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