



Ofi invest
Asset Management



JANUARY 2024

EURO HIGH YIELD

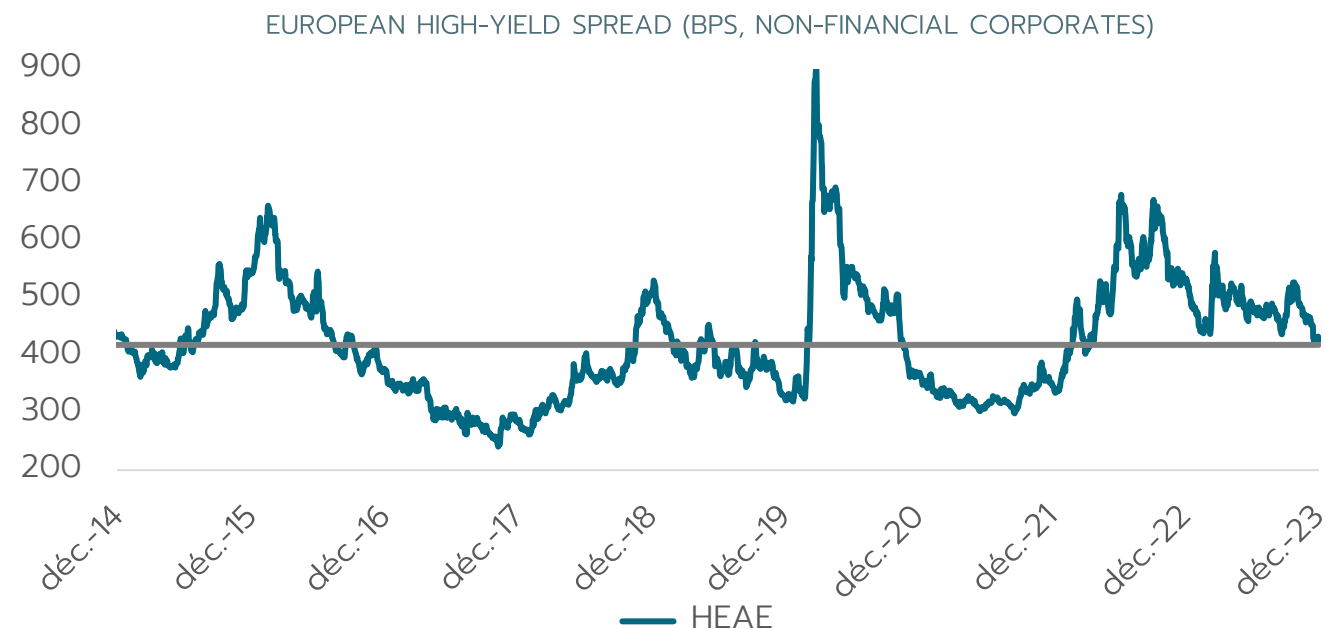
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2024: CARRY IS KING AGAIN

WITH A TOTAL RETURN OF 12.1% IN 2023, THE HIGH-YIELD MARKET ENJOYED ITS BEST YEAR IN THE LAST 10 YEARS. THE CURRENT YIELD-TO-WORST IS 6.6%, A LEVEL STILL HISTORICALLY HIGH (TOP 15%)

Credit spreads ended the year at their lowest of the year, close to their long-term average of 420 bp.

	December	2023	Yield To Worst (%)
HEAE INDEX	2.8%	12.1%	6.6
BB	2.8%	11.2%	5.3
B	2.9%	15.5%	7.0
CCC	3.3%	8.8%	16.9
Hybrid	3.6%	10.8%	6.2
Xover	3.2%	13.9%	3.1
H0AO	3.7%	13.5%	7.8

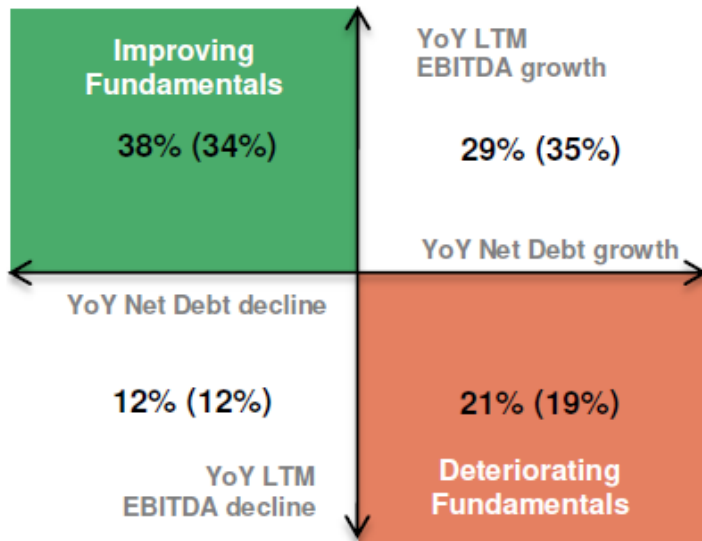


DEFAULTS SHOULD REMAIN LIMITED

DESPITE DISPERSION ACROSS COMPANIES, RECENT RESULTS HAVE BEEN OVERALL SOLID

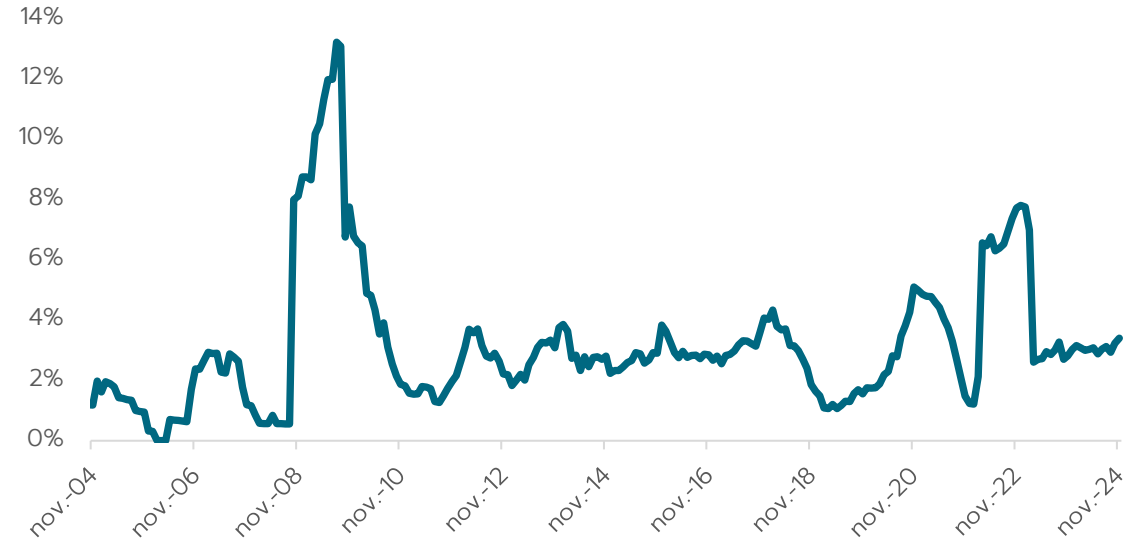
BASE LINE DEFAULT RATES WILL NOT INCREASE SHARPLY OVER THE NEXT 12 MONTHS ACCORDING TO MOODY'S

CONTRASTED SITUATIONS BUT ATTENTION PAID TO THE TOTAL AMOUNT OF DEBT ON THE BALANCE SHEET



Source: Morgan Stanley, 27 October 2023

EUROPE SPECULATIVE GRADE DEFAULT RATES (BASELINE FORECAST FROM NOV 23 - 3.4% EXP. NOV 2024)

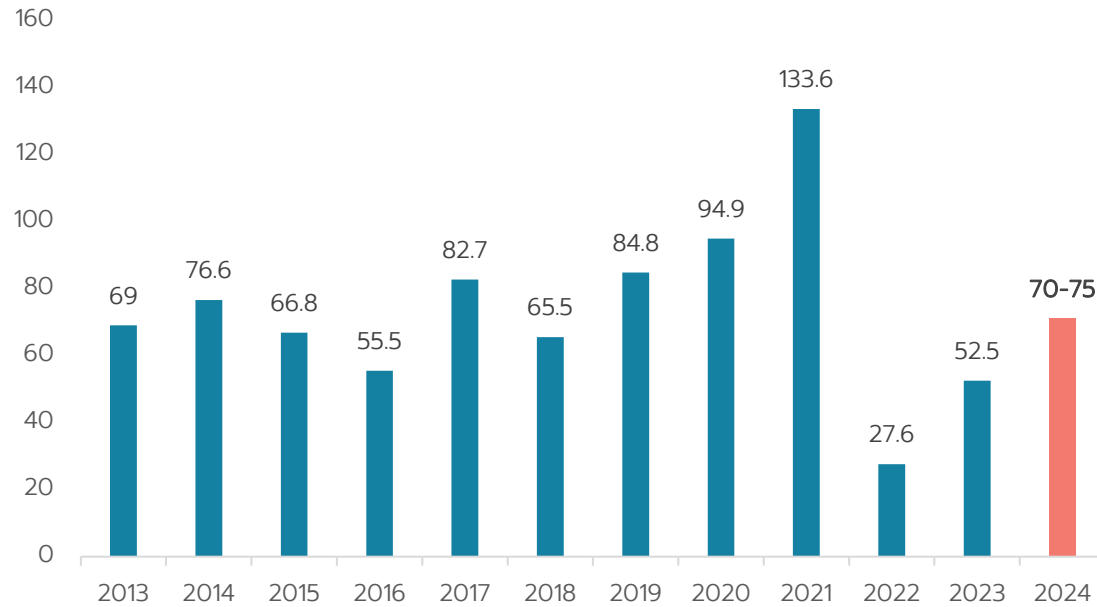


Source: Moody's, December 2023

COMPANIES WILL MANAGE THEIR MATURITY WALL SMOOTHLY

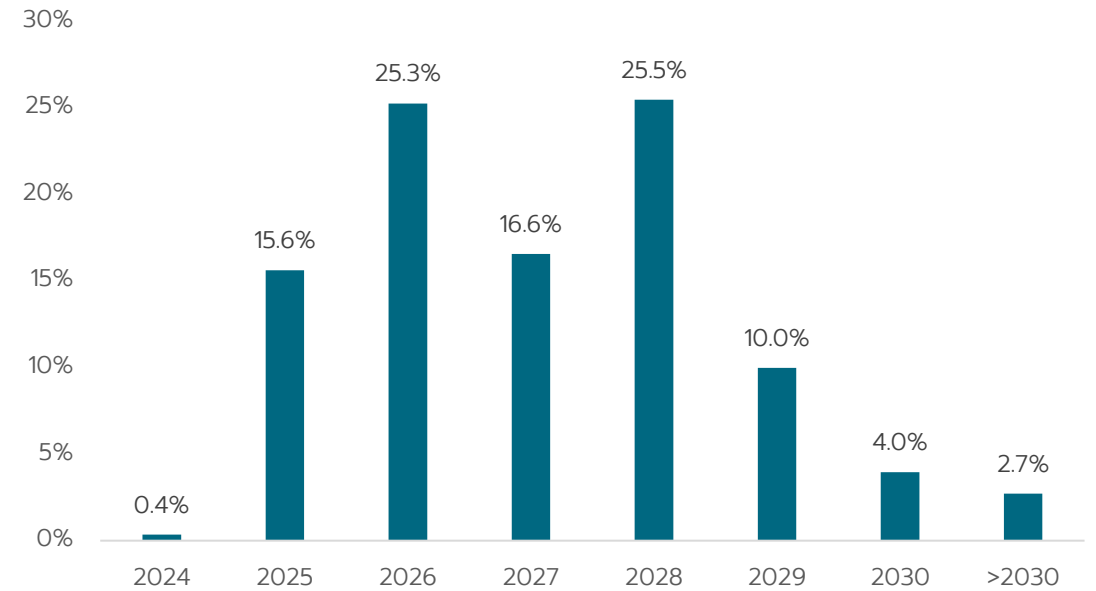
THE DROP IN RATES FAVORS THE REOPENING OF THE PRIMARY MARKET

HIGH YIELD PRIMARY MARKET (€BN)



Sources: SG for historical data. For 2024, average consensus from 10 research houses

THE EUROPEAN HY MARKET MATURITY WALL (% OF NON-FINANCIAL €-HY MARKET)

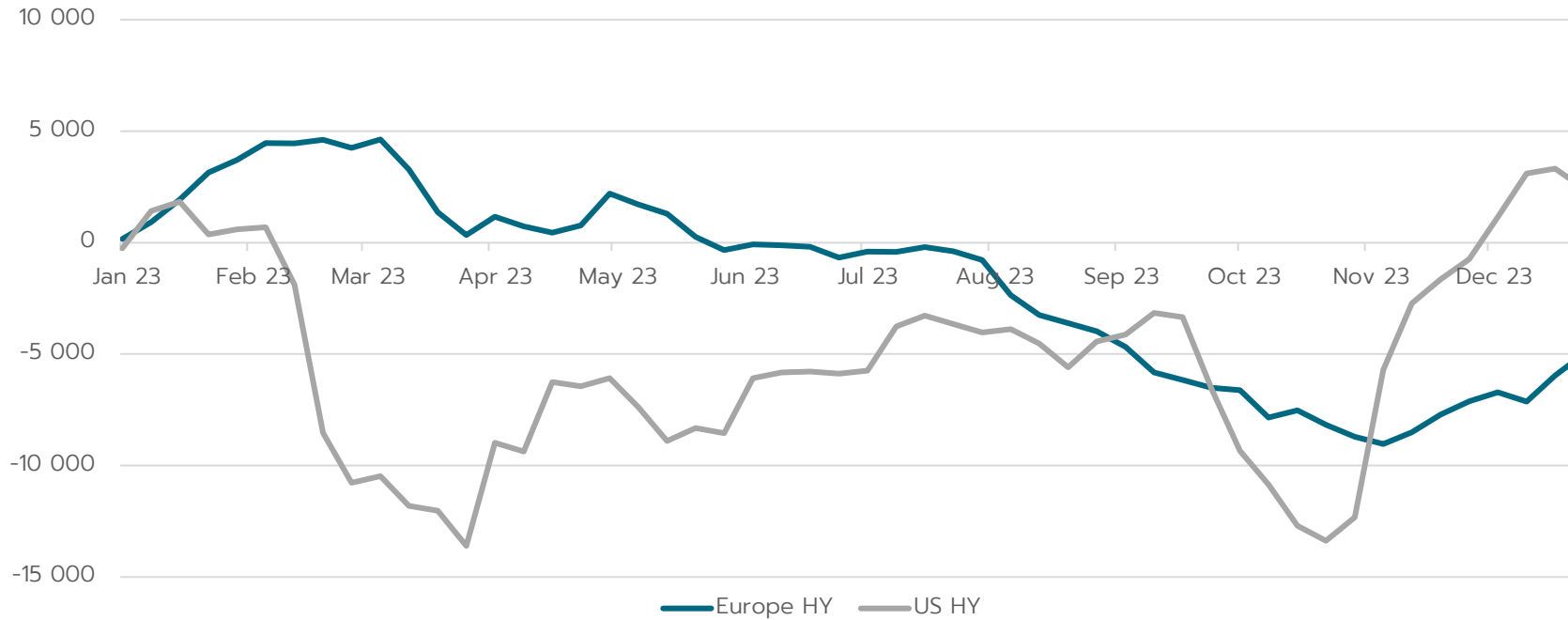


Source: BOA, December 2023

INVESTORS ARE READY TO COME BACK, BOTH IN EUROPE AND IN THE US

POSITIVE RETURNS, A MODERATE INCREASE IN DEFAULTS, AND LOWER RATES ALL FAVOR NEW INFLOWS FROM INVESTORS

INFLOWS & OUTFLOWS IN EUROPE AND IN THE US (ETF + OPC, \$BN)



+4bn in Europe since mid-Nov. 2023
+16bn in the US since end-Oct. 2023

Sources: BOA, 29 December 2023

THE CURRENT CARRY OFFERS PROTECTION AGAINST CHANGES IN SPREADS

SENSITIVITY MATRIX; WITH A CURRENT YIELD OF 6.6%, 12-MONTH TOTAL RETURN SHOULD BE POSITIVE UNLESS SPREAD WIDENS BY MORE THAN 250BP

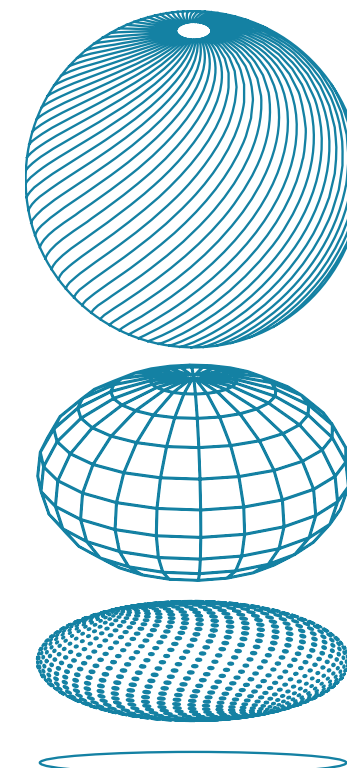
RETURN SENSITIVITY
(12-MONTH DEFAULT RATE @ 3.4%, RECOVERY RATE @40%)

		RETURN SENSITIVITY													
		(12-MONTH DEFAULT RATE @ 3.4%, RECOVERY RATE @40%)													
		Δ Spread	-300	-250	-200	-150	-100	-50	0	50	100	150	200	250	300
Δ interest Rate	5y Spread	112	162	212	262	312	362	412	462	512	562	612	662	712	
-90	1.04	16.5%	15.3%	14.0%	12.7%	11.4%	10.1%	8.8%	7.6%	6.3%	5.0%	3.7%	2.4%	1.1%	
-80	1.14	16.3%	15.0%	13.7%	12.4%	11.2%	9.9%	8.6%	7.3%	6.0%	4.7%	3.4%	2.2%	0.9%	
-70	1.24	16.0%	14.8%	13.5%	12.2%	10.9%	9.6%	8.3%	7.0%	5.8%	4.5%	3.2%	1.9%	0.6%	
-60	1.34	15.8%	14.5%	13.2%	11.9%	10.6%	9.4%	8.1%	6.8%	5.5%	4.2%	2.9%	1.6%	0.4%	
-50	1.44	15.5%	14.2%	13.0%	11.7%	10.4%	9.1%	7.8%	6.5%	5.2%	4.0%	2.7%	1.4%	0.1%	
-40	1.54	15.3%	14.0%	12.7%	11.4%	10.1%	8.8%	7.6%	6.3%	5.0%	3.7%	2.4%	1.1%	-0.2%	
-30	1.64	15.0%	13.7%	12.4%	11.2%	9.9%	8.6%	7.3%	6.0%	4.7%	3.4%	2.2%	0.9%	-0.4%	
-20	1.74	14.8%	13.5%	12.2%	10.9%	9.6%	8.3%	7.0%	5.8%	4.5%	3.2%	1.9%	0.6%	-0.7%	
-10	1.84	14.5%	13.2%	11.9%	10.6%	9.4%	8.1%	6.8%	5.5%	4.2%	2.9%	1.6%	0.4%	-0.9%	
0	1.94	14.2%	13.0%	11.7%	10.4%	9.1%	7.8%	6.5%	5.2%	4.0%	2.7%	1.4%	0.1%	-1.2%	
10	2.04	14.0%	12.7%	11.4%	10.1%	8.8%	7.6%	6.3%	5.0%	3.7%	2.4%	1.1%	-0.2%	-1.4%	
20	2.14	13.7%	12.4%	11.2%	9.9%	8.6%	7.3%	6.0%	4.7%	3.4%	2.2%	0.9%	-0.4%	-1.7%	
30	2.24	13.5%	12.2%	10.9%	9.6%	8.3%	7.0%	5.8%	4.5%	3.2%	1.9%	0.6%	-0.7%	-2.0%	
40	2.34	13.2%	11.9%	10.6%	9.4%	8.1%	6.8%	5.5%	4.2%	2.9%	1.6%	0.4%	-0.9%	-2.2%	
50	2.44	13.0%	11.7%	10.4%	9.1%	7.8%	6.5%	5.2%	4.0%	2.7%	1.4%	0.1%	-1.2%	-2.5%	
60	2.54	12.7%	11.4%	10.1%	8.8%	7.6%	6.3%	5.0%	3.7%	2.4%	1.1%	-0.2%	-1.4%	-2.7%	
70	2.64	12.4%	11.2%	9.9%	8.6%	7.3%	6.0%	4.7%	3.4%	2.2%	0.9%	-0.4%	-1.7%	-3.0%	
80	2.74	12.2%	10.9%	9.6%	8.3%	7.0%	5.8%	4.5%	3.2%	1.9%	0.6%	-0.7%	-2.0%	-3.2%	
90	2.84	11.9%	10.6%	9.4%	8.1%	6.8%	5.5%	4.2%	2.9%	1.6%	0.4%	-0.9%	-2.2%	-3.5%	
100	2.94	11.7%	10.4%	9.1%	7.8%	6.5%	5.2%	4.0%	2.7%	1.4%	0.1%	-1.2%	-2.5%	-3.8%	

Sources: BOA, Ofi Invest, 31 December 2023

KEY MESSAGES

- **The performance of the high yield market was historically high in 2023, with a total return above 12%**
- **However, the carry of the asset class remains significant at 6.6%, with rates still high and credit premiums at their historical average**
- **The credit situation of companies is rather satisfactory, with generally solid performance despite the no-growth environment, and financial management that protects balance sheets**
- **Our message remains constructive on the asset class, even though discernment between issuers remains key, against a backdrop of slightly increasing default rates**

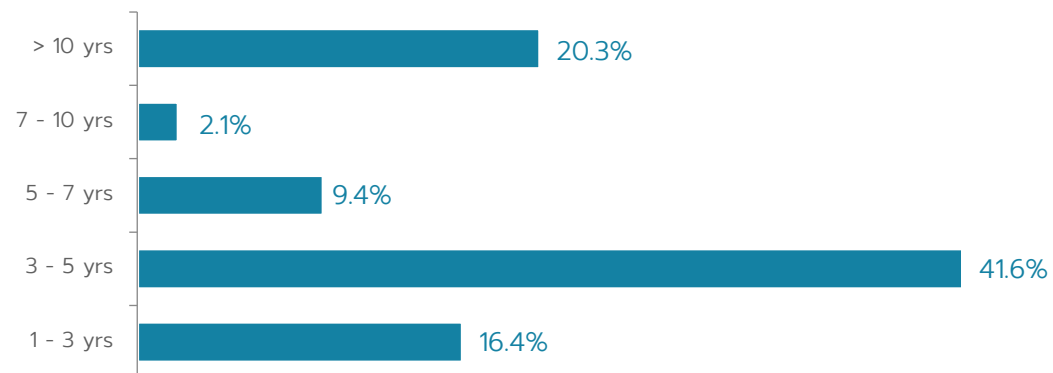


OFI INVEST ESG EURO HIGH YIELD AS OF 31/12/2023

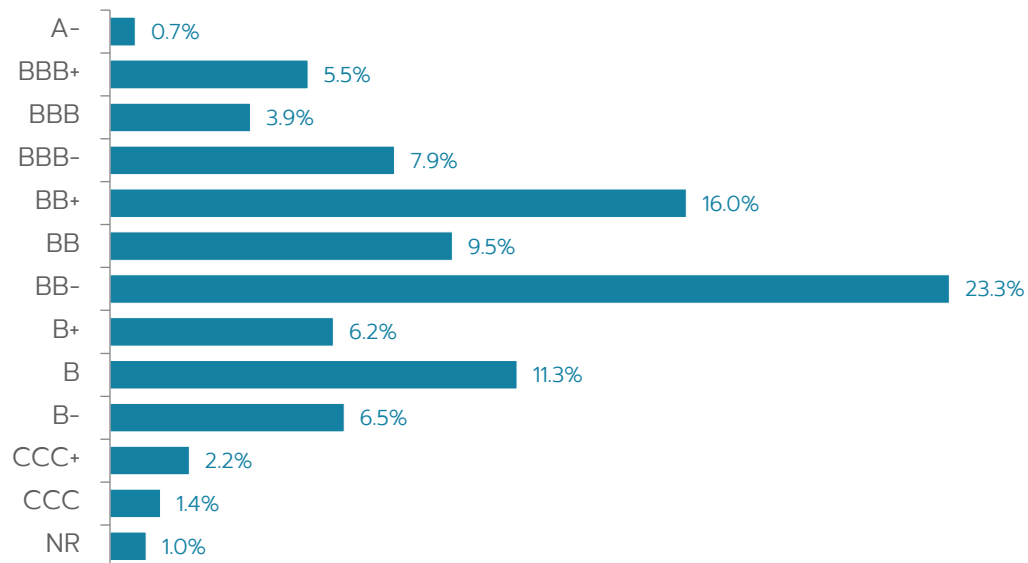
KEY FIGURES

Investment rate	90 %
Sensitivity to interest rates	2.3
Average spread ⁽¹⁾	262 bp
Average rating	BB
Yield to Worst ⁽²⁾	5.6 %

BREAKDOWN BY MATURITY⁽³⁾



BREAKDOWN BY RATING



TOP 10

TELECOM ITALIA 6.875 2028_02	1.55%
ALTICE FRANCE 5.875 2027_02	1.54%
EDF 3.000 PERP	1.54%
VERISURE 7.125 2028_02	1.52%
ILIAD 5.375 2027_06	1.48%
GRIFOLS 3.875 2028_10	1.39%
EDF 2.875 PERP	1.38%
VODAFONE 3 2080_08	1.24%
LOXAM 5.750 2027_07	1.24%
CHEPLAPHARM 4.375 2028_01	1.23%

OFI INVEST ESG EURO HIGH YIELD AT 29/12/2023

CUMULATIVE NET RETURNS (5 YEARS)



	Fund	INDEX*	Fund annualized	INDEX* ann.
3 MONTHS	6.11 %	5.32 %	26.85 %	23.13 %
6 MONTHS	7.07 %	7.06 %	14.68 %	14.65 %
YTD	12.90 %	12.08 %	12.94 %	12.12 %
SINCE INCEPTION	16.03 %	14.01 %	2.37 %	2.09 %
1 YEAR (cum.)	12.90 %	12.08 %	12.94 %	12.12 %
3 YEARS (cum.)	4.96 %	3.05 %	1.63 %	1.01 %
5 YEARS (cum.)	17.58 %	16.77 %	3.29 %	3.15 %

Source : Ofi Invest Asset Management at 29/12/2023

Past performance is not a reliable indicator of future performance.

*The index is Merrill Lynch Euro Non-Financial Fixed & Floating Rate High Yield.

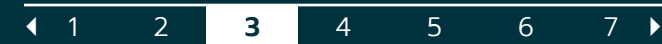
MAIN CHARACTERISTICS

Fund name	Ofi Invest ESG Euro High Yield
ISIN code	GI unit: FR0013274966 / GR unit: FR0013274974
Fund managers	Maud BERT – Marc BLANC
Fund inception date	29/08/2017
Investment objective	The Fund's objective is to outperform the Merrill Lynch Euro Non-Financial Fixed & Floating Rate High Yield Index, calculated in euro on all units over the recommended investment horizon, by favouring securities of issuers taking an active approach to the energy and ecological transition.
Investment universe	All the securities of the benchmark index
Benchmark index	Bank Of America Merrill Lynch Euro Non-Financial Fixed & Floating Rate High Yield Index
Investment horizon	More than 3 years
SFDR category ⁽²⁾	Article 8
External financial management and administrative fees incl. tax	GI units: 1,10% maximum / GR units: 1,80% maximum
Maximum transaction fee ⁽³⁾	From €0 to €450 excl. tax
Maximum front-end fee incl. tax	2%

RISK PROFILE⁽¹⁾

Lower risk

Higher risk



⁽¹⁾ The risk indicator is based on the assumption that you will hold the product for the full recommended holding period. Actual risk may differ if you opt to withdraw before the end of the recommended holding period, and you may obtain less in return. The synthetic risk indicator assesses the product's risk level in relation to other products. It is an indication of the likelihood that this product will incur losses in the event of market movements or if we are unable to pay out.

This product does not offer protection against market fluctuations, so you may lose some or all of your investment.

⁽²⁾ REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosures in the financial services sector

⁽³⁾ Refer to the fund's prospectus for more details. These fees are collected by the depository/custodian.

MAIN RISKS

CAPITAL RISK AND PERFORMANCE RISK

The investor is advised that the performance of the UCITS might not conform to their objectives and that their capital might not be returned in full, the UCITS not benefiting from any guarantee or protection of capital invested.

INTEREST RATE RISK

Because of its composition, the UCITS may be subject to an interest rate risk. This risk results from the fact that, in general, the price of debt securities and bonds falls when rates rise. The investor in bonds or other fixed-income securities may record negative performances as a result of fluctuations in interest rates.

CREDIT RISK

In the case of downgrading of private issuers (for example, of their rating by financial rating agencies), or of public issuers, or their defaulting, the value of private bonds may fall. The net asset value of the UCITS would then be affected by this drop.

HIGH YIELD RISK

This is the credit risk applied to what are known as "speculative" securities which present probabilities of default higher than those of Investment Grade securities. In return, they offer higher levels of return, but can, in the case of downgrading of the rating, significantly reduce the net asset value of the UCITS. The unrated signatures which are selected will, for the most part, come under this category in the same way and may present equivalent or greater risks because of their unrated nature.

COUNTERPARTY RISK

This is the risk associated with use by the UCITS of futures, OTC instruments and/or resorting to acquisitions and temporary purchase and sale of securities. These transactions concluded with one or more eligible counterparties potentially expose the UCITS to a risk of defaulting of one of these counterparties possibly resulting in failure to pay which will reduce the net asset value.

EMERGING MARKETS RISK

The conditions of functioning and supervision of the emerging markets may deviate from standards prevailing on major international markets: information about certain securities may be incomplete and their liquidity more reduced. Evolution in the price of these securities may therefore vary markedly and significantly impact the net asset value.

SUSTAINABILITY RISK

Sustainability risks are primarily related to climate events resulting from climate change (known as physical risks), the ability of companies to respond to climate change (known as transition risks) and which may result in unanticipated losses affecting the mutual fund's investments and financial performance. Social events (inequalities, labour relations, investment in human capital, accident prevention, changes in consumer behaviour, etc.) or governance gaps (recurrent and significant breach of international agreements, corruption, product quality and safety and sales practices) can also translate into sustainability risks.

Consequently, the investor may be exposed to the following risk:

EQUITY RISK

If the shares to which the portfolio is exposed fall, the net asset value of the fund may fall. The UCITS may also be exposed to convertible bonds; these may display a residual share sensitivity and experience marked fluctuations linked to changes in the prices of the underlying shares. The investor's attention is drawn to the fact that the net asset value of the UCITS will drop in the case of an unfavourable change.

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