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**Confidence  
must be earned**

**Amundi**  
ASSET MANAGEMENT

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03 June 2019

# **Drescher & Cie Webinar on Convertible Bonds Amundi's View and Expertise**

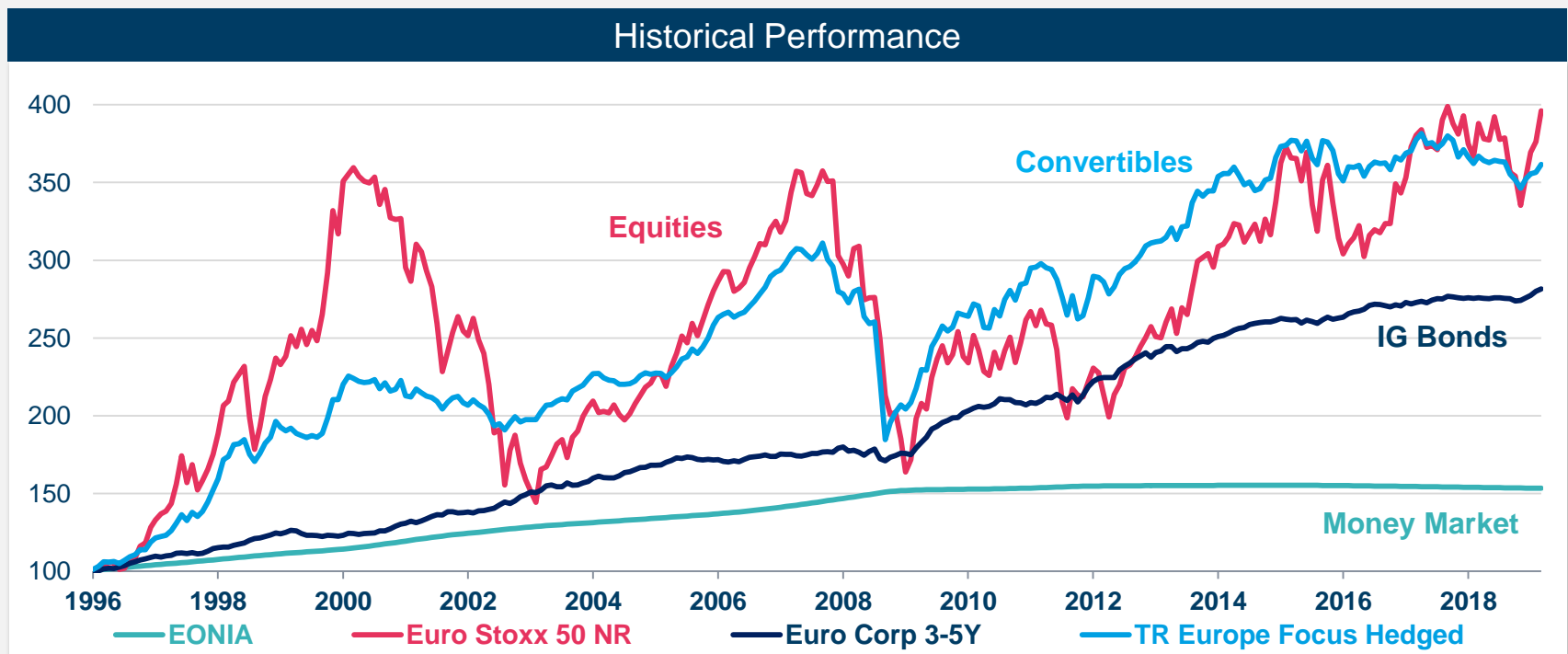
Stephan Eckhardt | Senior Investment Specialist

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This material is solely for the attention of "professional" investors  
(see more details and definitions at the end).

## Long-term advantage of the asset class: its risk/return profile

- Superior equity-like returns, but with reduced volatility: able to outperform through cycles
- Asymmetry of returns: the natural convexity of convertibles is particularly attractive for investors not willing to invest directly into equities

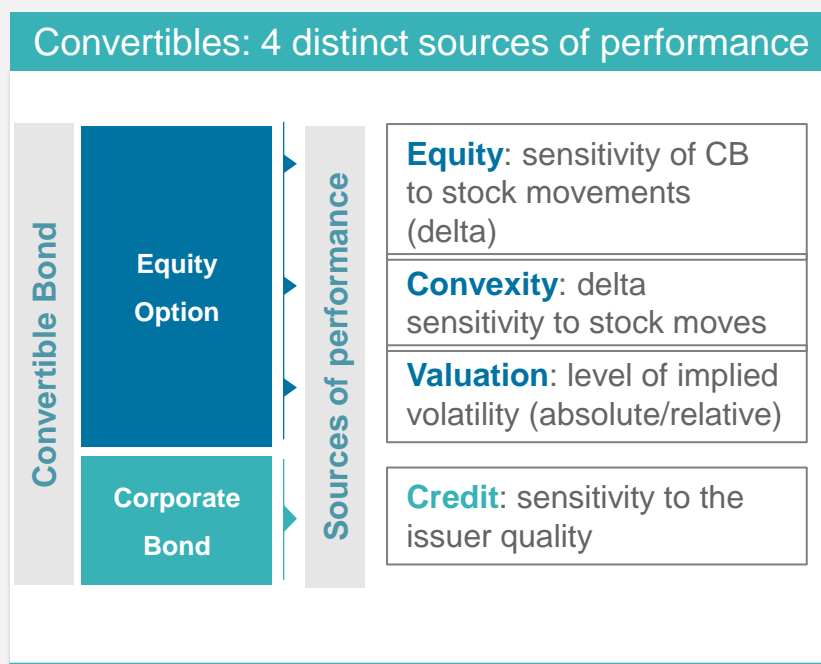
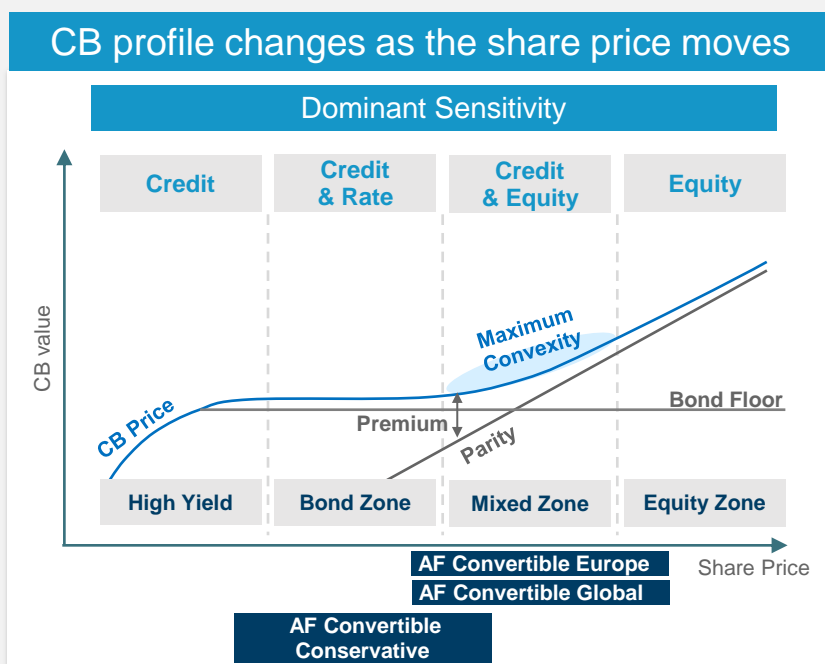


Source: Amundi, Bloomberg as of 30/04/2019. Euro Corp 3-5Y stands for BofAML IG Corp 3-5Y and TR Europe Focus Hedged stands for Thomson Reuters European Focus Convertible Hedged Euro. Past market behavior does not prejudice future behavior.

# Major characteristic of convertibles : their convexity

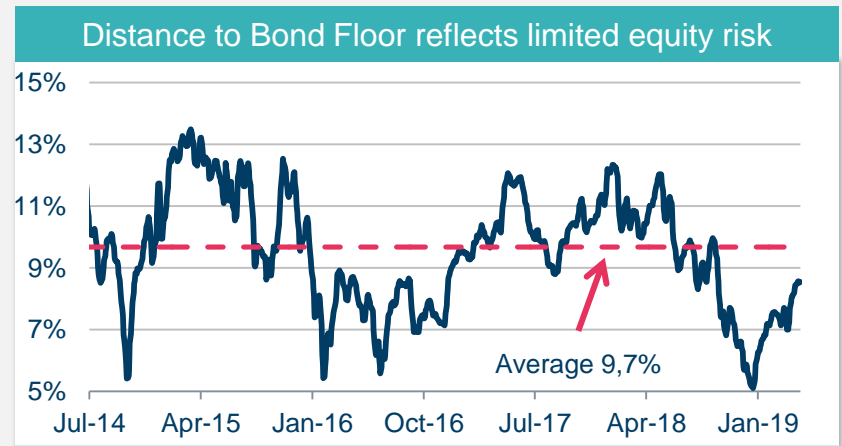
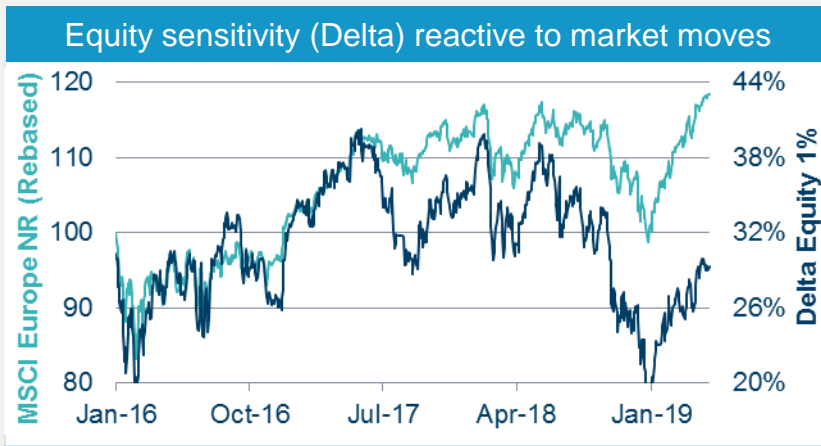
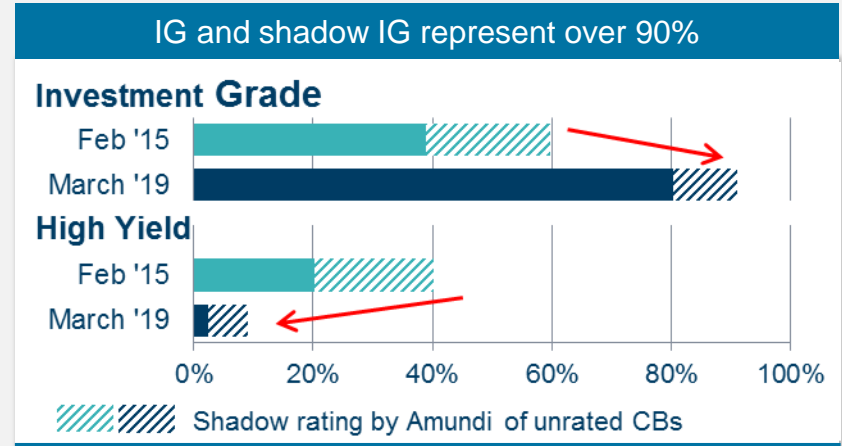
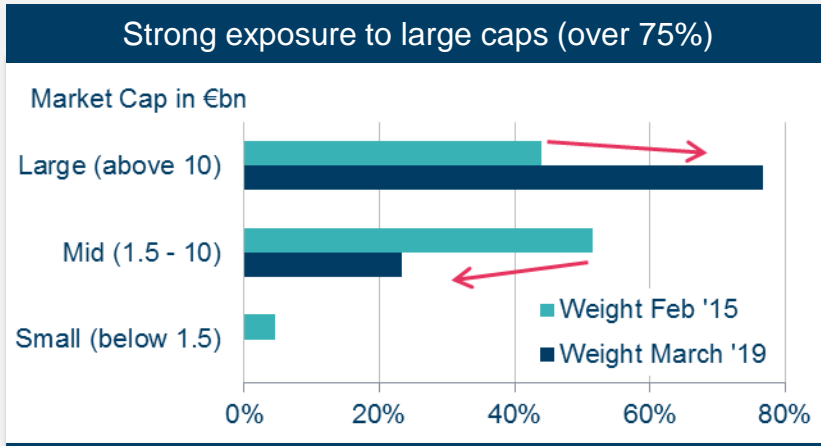
Convertibles offer an asymmetric risk return profile:

- Upside exposure via the embedded call option
- Downside resilience due to the bond floor



Source: Amundi as of 30/04/2019. Given for Indicative Purposes Only, May Change Without Prior Notice. For further details on the investment process, please refer to the prospectus and the key information investor documents

# Convexity due to reactive equity sensitivity and resilient bond floor



Source: Amundi, as of 30/04/2019. Convertible data based on Thomson Reuters Convertible Europe Focus Hedged index. Past market behavior and profile does not prejudice future behavior and profile.

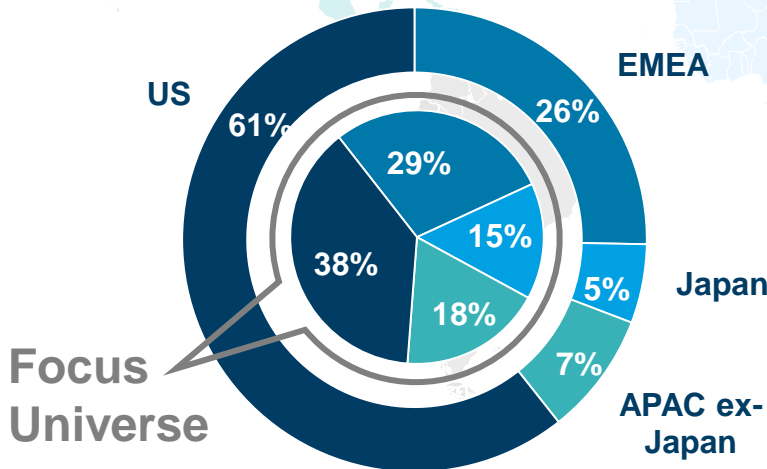
# Convertible universe: Global \$ 358bn / EMEA \$90 bn

North America		\$217bn
Average Delta		54%
Bond	Mixed	Equity
21%	32%	47%
IG	HY	NR
15%	20%	65%

EMEA		\$90bn
Average Delta		34%
Bond	Mixed	Equity
35%	30%	35%
IG	HY	NR
53%	12%	35%

Japan		\$20bn
Average Delta		32%
Bond	Mixed	Equity
25%	49%	26%
IG <sup>3</sup>	NR	
84%		12%

## Overall Universe





EMEA Focus Universe:  
IG + shadow IG = 91%

Asia ex-Japan		\$31bn
Average Delta		35%
Bond	Mixed	Equity
25%	58%	17%
IG	HY	NR
27%	10%	62%

Source : Barclays, BofAML and Deutsche Banks. Data as of 29/03/2019. 1) Barclays CB universe vs Focus: (TR global focus hedged index). Profile definitions are based on price/premium: "Bond" if premium > 70%, including "Distressed" if price < 60% of (accreted) principal amount; "Mixed" if premium between 20% and 70%; "Equity" if premium < 20% (source Barclays) 3. Breakdown based on domestic ratings. (From Standard & Poor's and Moody's: breakdown as follow: IG : 18% , HY 1%, NR 82%)

# Amundi's Convertible Bond Expertise (€ 1.4bn)

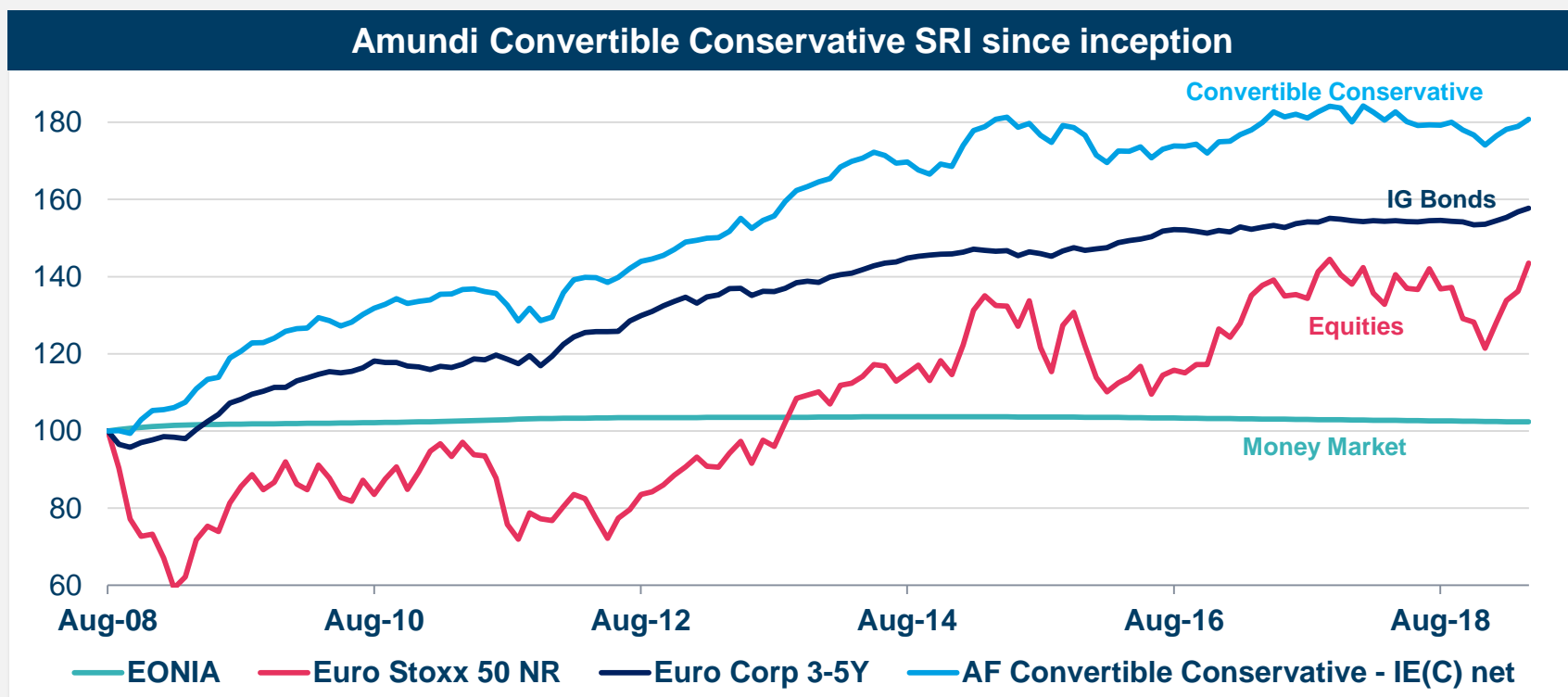
	EUROPE : € 727m		GLOBAL : € 709m
Philosophy	CONSERVATIVE	MAXIMISE CONVEXITY	MAXIMISE CONVEXITY
Portfolio Target Delta	0 – 30% max	30 – 60 %	30 – 60 %
Key features	Stronger Resilience		
Flagship	Convertible Conservative SRI <sup>1</sup> 	Convertible Europe <sup>2</sup> 	Convertible Global <sup>3</sup>
AuM	€ 200-240m <sup>4</sup>	€ 326m	€ 122m
Performance <sup>5</sup>	1.2%	0.1%	1.6%
Volatility <sup>5</sup>	4.0%	6.2%	6.2%

Source: Amundi as of 30/04/2019. <sup>1</sup> Amundi Funds Convertible Conservative IEC. <sup>2</sup> Amundi Funds Convertible Europe IEC. <sup>3</sup> Amundi Funds Convertible Global IEC

<sup>4</sup> expected amount post investors switching from Amundi Funds Convertible Conservative into Amundi Convertibles Euroland (the latter to be renamed Amundi Convertible Conservative SRI in July/August 2019) . <sup>5</sup> 5yr annualised net performance/volatility

## Current recommendation : Amundi Convertible Conservative SRI

- Attractive risk/return profile : “bond with a cheap equity upside option”
- Bond floor benefiting from strong IG exposure
- Positive current yield



Source: Amundi, Bloomberg. Net performance over 31/08/2008 - 30/04/2019. Past performance is not a reliable indicator of future results or a guarantee of future returns.

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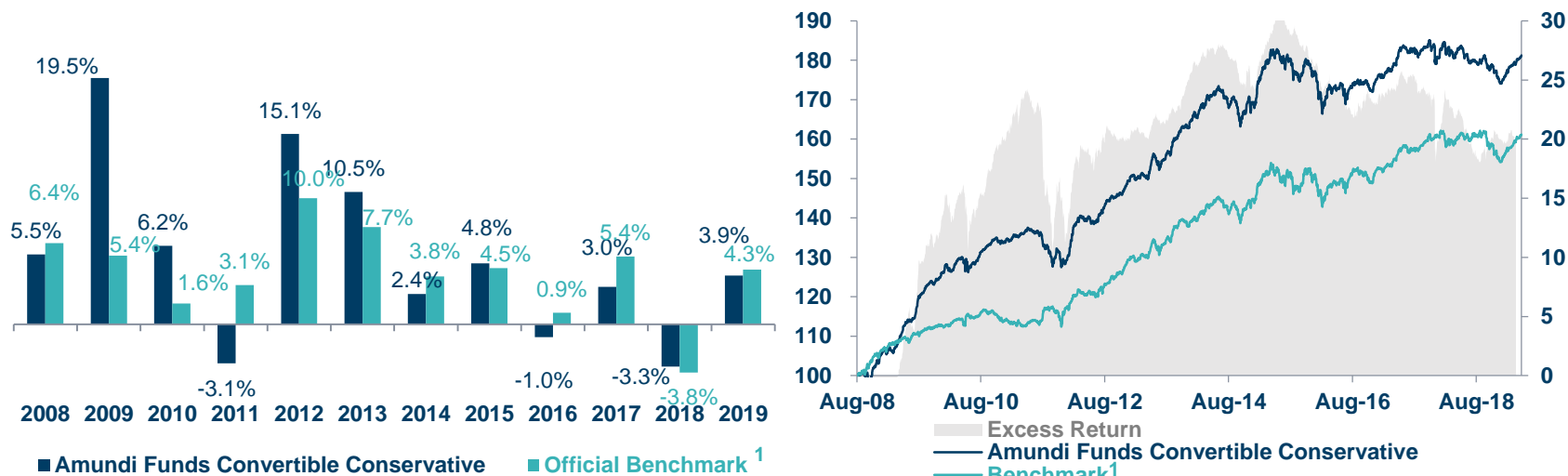
# Appendix

## Expectations for performance engines reflected in portfolio

Performance Engines	Impact next 3m	Portfolio Positioning
<b>EQUITIES</b>	-	Following strong YTD rebound, tactical reduction of equity sensitivity. Cautious top-down implementation (via index options + futures) allowing to maintain bottom-up picking (balanced profiles, good credits, strong equity upside)
<b>VALUATION</b>	=	Rich relative valuations of CBs following retracement of option IV
<b>CREDIT</b>	-	Strengthening of the bond floors due to increased exposure to IG; Selective on HY issuers
<b>INTEREST RATES</b>	=	Modified duration of CBs naturally low; rate hedge still in place
<b>PRIMARY MARKET</b>	+	Active participation to increase sectorial diversification, but selectivity on the valuation criteria
<b>PROTECTION CLAUSES<sup>1</sup></b>	+	Analysis of M&A and dividend protection clauses

Source: Amundi Convertible Bond Team; Past performance does not prejudice future results, nor is a guarantee of future returns. 30/04/2019. Views expressed are the views of the portfolio managers at the time of writing and are subject to change. 1. Protection clauses include the "ratchet" clause and dividend protection clause. 2. Definition of the ratchet clause: upon announcement of the M&A transaction, the "ratchet" clause triggers a revision in the conversion ratio, to compensate the holder for the loss of time value of the option embedded in the convertible bonds for the remaining life of the bond

# Performance: Amundi Funds Convertible Conservative



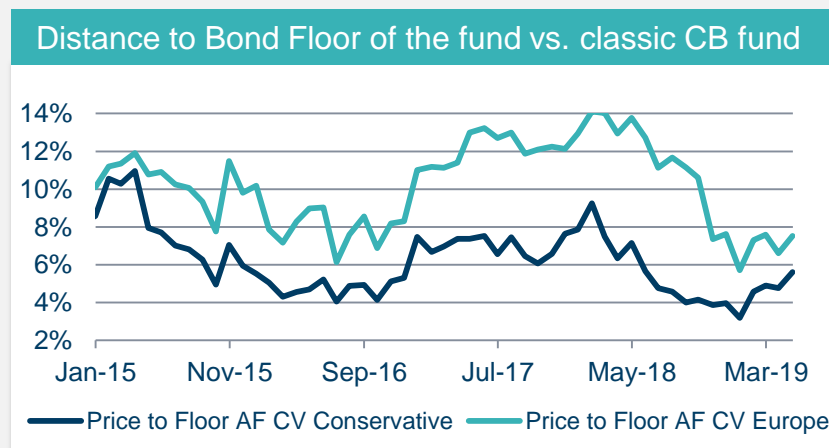
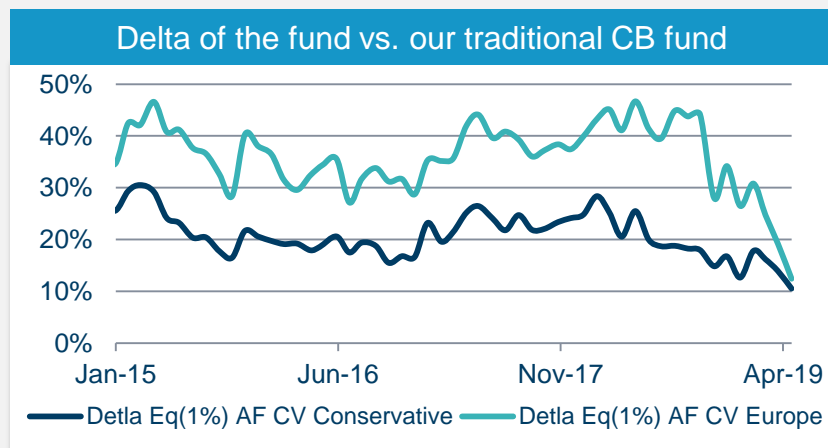
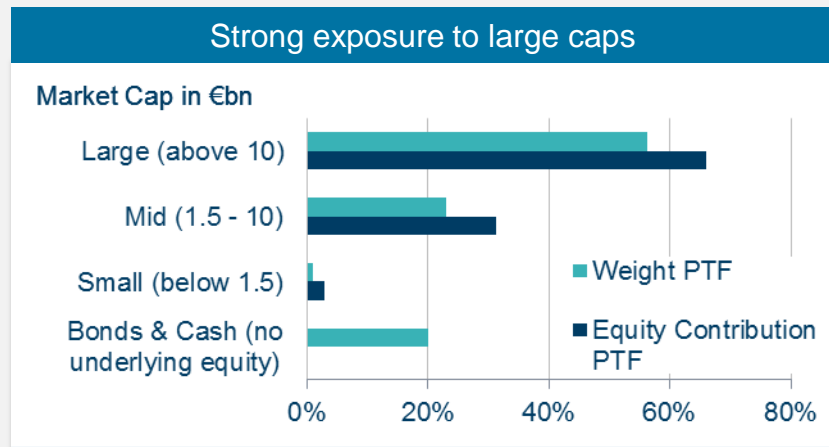
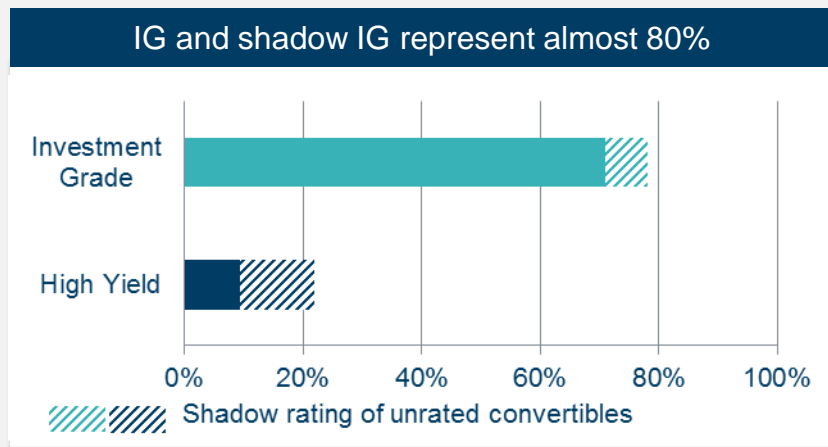
Net performance as of 30/04/2019	April	Q1	YTD	1 year	3 years annualised	5 years annualised	Annualised since inception (07/08/2008)
Portfolio	1.0%	2.8%	3.9%	-1.0%	1.6%	1.2%	5.7%
Benchmark	0.9%	3.4%	4.3%	0.2%	2.7%	2.4%	4.5%
Excess Return	0.1%	-0.6%	-0.5%	-1.3%	-1.1%	-1.2%	1.1%
Risk Indicators <sup>2,3</sup>	April	Q1	YTD	1 year	3 years	5 years	Since inception
Portfolio Volatility	-	-	-	2.7%	3.4%	4.0%	4.0%
Benchmark Volatility	-	-	-	3.0%	3.2%	3.9%	3.7%
Sharpe Ratio	-	-	-	-0.3	0.5	0.3	1.3
Max Drawdown	-0.1%	-0.5%	-0.5%	-5.2%	-6.0%	-9.0%	-9.0%
Max Drawdown Benchmark	-0.3%	-0.5%	-0.5%	-4.9%	-4.9%	-7.2%	-7.2%

<b>AuM (€M)</b>	92
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Source: Amundi, net performance as of 30/04/2019. Past performance is not a reliable indicator of future results or a guarantee of future returns. Amundi Funds Convertible Conservative was renamed on 19/03/2018 from Amundi Funds Convertible Credit. 1. The benchmark was changed from IBOXX Euro Sovereign 3-5 years Close to 70% ECI - EURO CONVERTIBLE TR Close + 30% ML EMU CORPORATES 3-5 YEARS RI Close on 03/09/2012. 2. Volatility & Sharpe ratio calculated using weekly data. 3. Drawdown calculated using daily data. Morningstar overall rating as of 29/03/2019.

# Portfolio breakdown: Amundi Funds Convertible Conservative

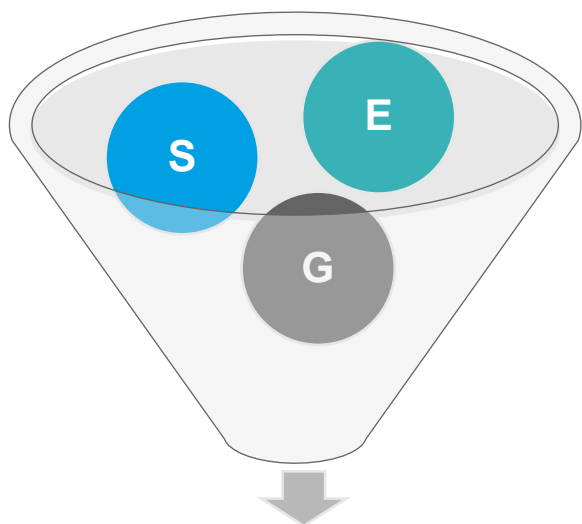


Source: Amundi, as of 30/04/2019. The current allocation may be changed without prior notice. All breakdowns based on Amundi Funds Convertible Conservative. 1) AABAR/UNICREDIT 0.5% 3/20 and AABAR/UNICREDIT 1% 3/2022. Breakdown by market capitalisation excludes options

# Amundi's "Best-in-Class" SRI approach

Since 2013, Amundi's SRI approach has been certified by AFNOR, a recognized and independent organisation. This certification guarantees the quality and the transparency of our SRI approach.

## Integration of E, S and G factors

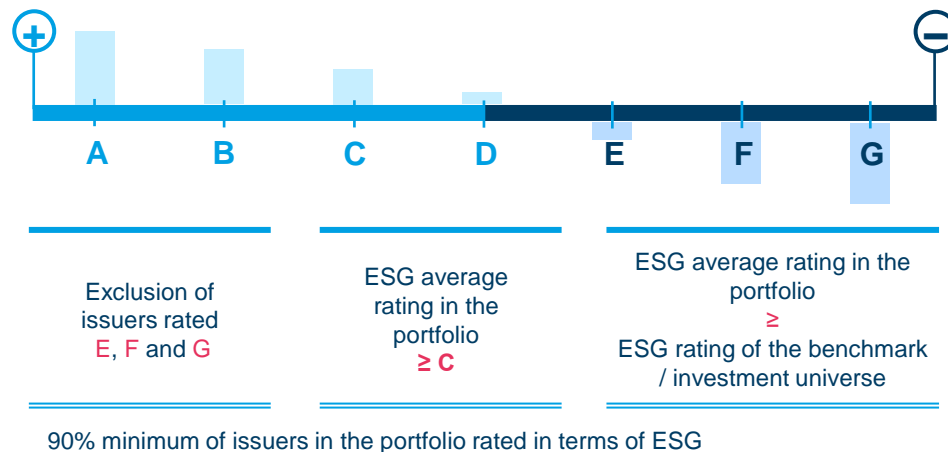


The three dimensions are taken into account in the issuer SRI Rating and selection process

## Amundi's "Best-in-Class" SRI approach

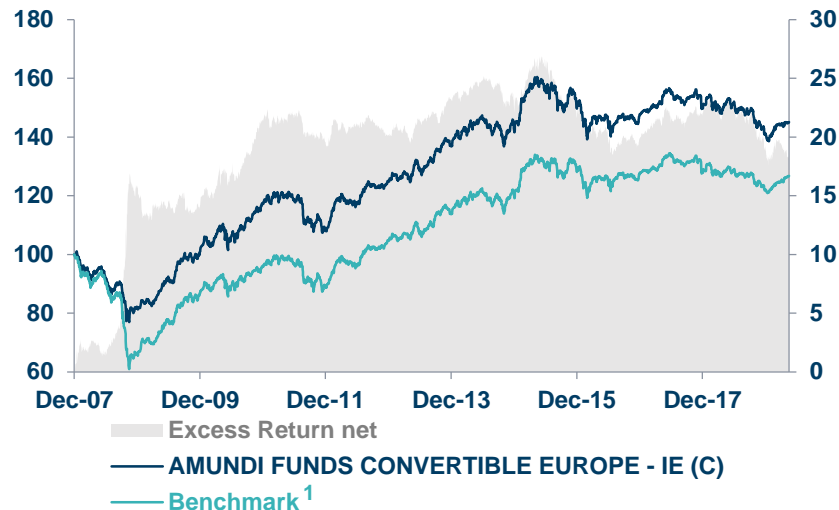
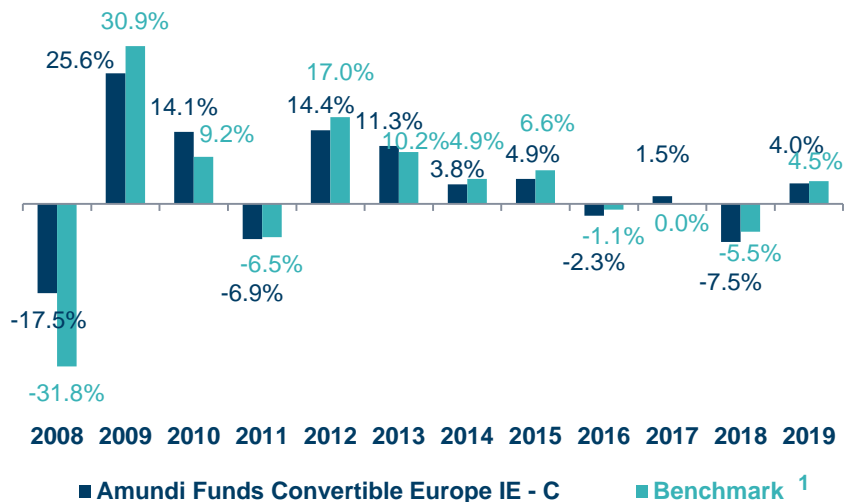
- Within each sector, selection of the companies having the best ESG practices
- No elimination of any sector per se

## "Best in Class" SRI approach based on 4 rules



Source: Amundi as of 30/04/2019. Given for Indicative Purposes Only, May Change Without Prior Notice. For further details on the investment process, please refer to the prospectus and the key information investor documents

# Performance: Amundi Funds Convertible Europe



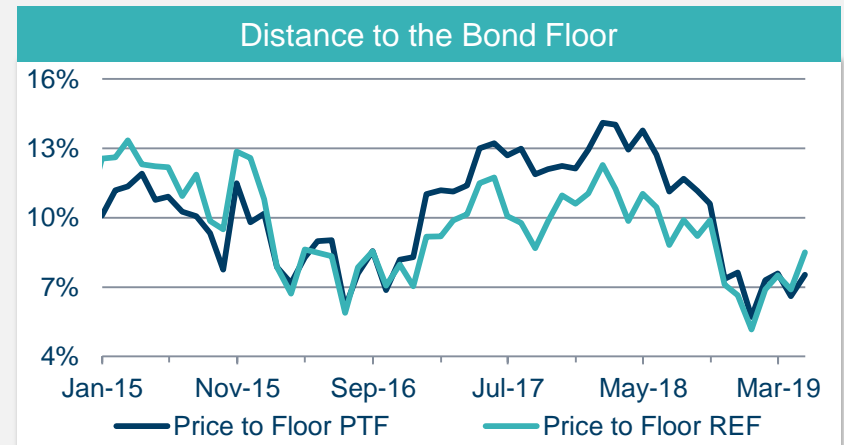
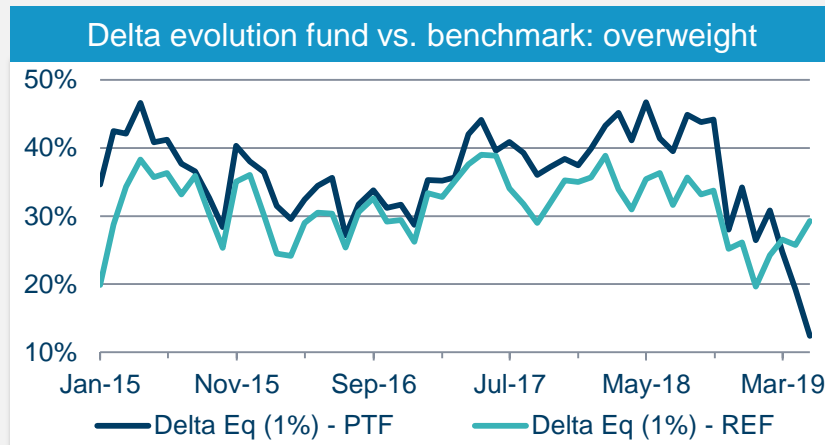
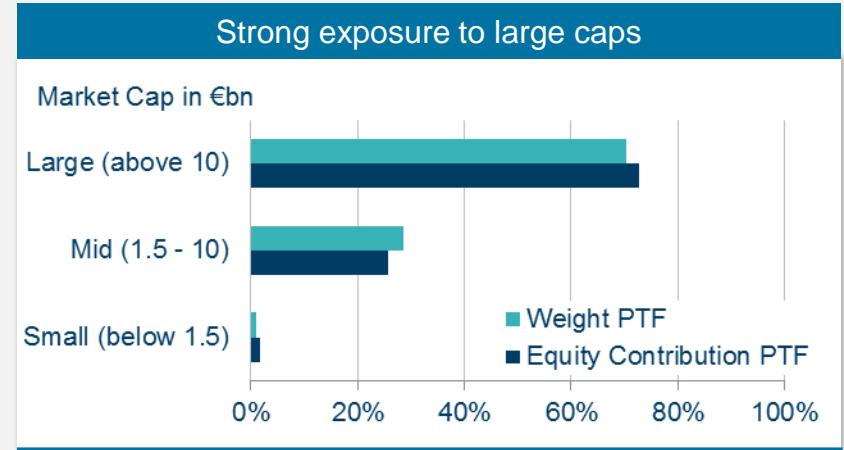
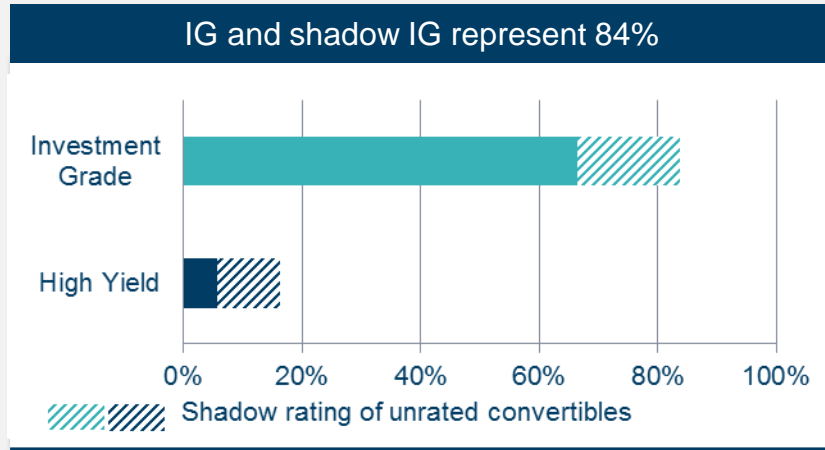
Net performance as of 30/04/2019	April	Q1	YTD	1 year	3 years annualised	5 years annualised	Annualised since incep. (14-Dec-07)
Portfolio	0.9%	3.1%	4.0%	-4.3%	-0.3%	0.1%	3.3%
Benchmark	1.5%	3.0%	4.5%	-1.5%	0.2%	1.1%	2.1%
Excess Return	-0.6%	0.1%	-0.5%	-2.9%	-0.5%	-1.1%	1.2%
Risk Indicators <sup>2,3</sup>	April	Q1	YTD	1 year	3 years	5 years	Since inception
Portfolio Volatility	-	-	-	4.8%	5.3%	6.2%	7.5%
Benchmark Volatility	-	-	-	4.2%	4.7%	5.7%	8.2%
Sharpe Ratio	-	-	-	-0.8	0.0	0.1	0.4
Max Drawdown	-0.3%	-0.8%	-0.8%	-9.5%	-11.6%	-13.7%	-23.8%
Benchmark Max Drawdown	-0.2%	-0.6%	-0.6%	-7.0%	-10.3%	-11.0%	-39.1%

<b>AuM (€M)</b>	326
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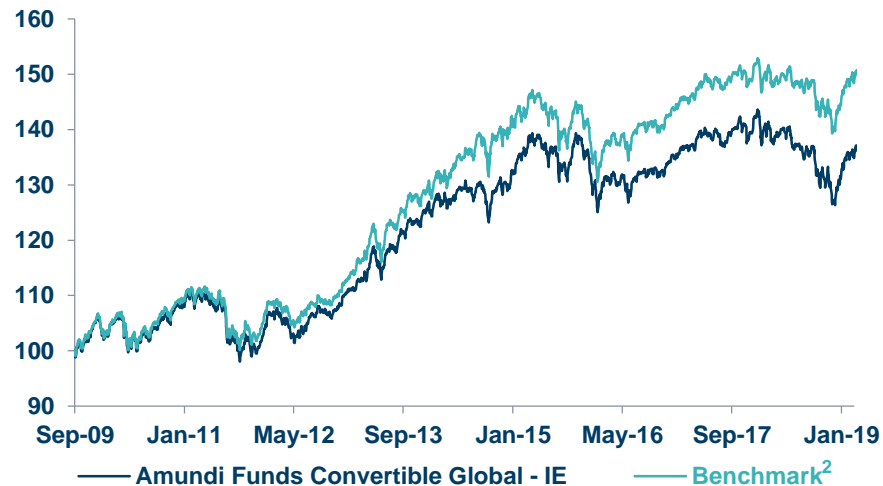
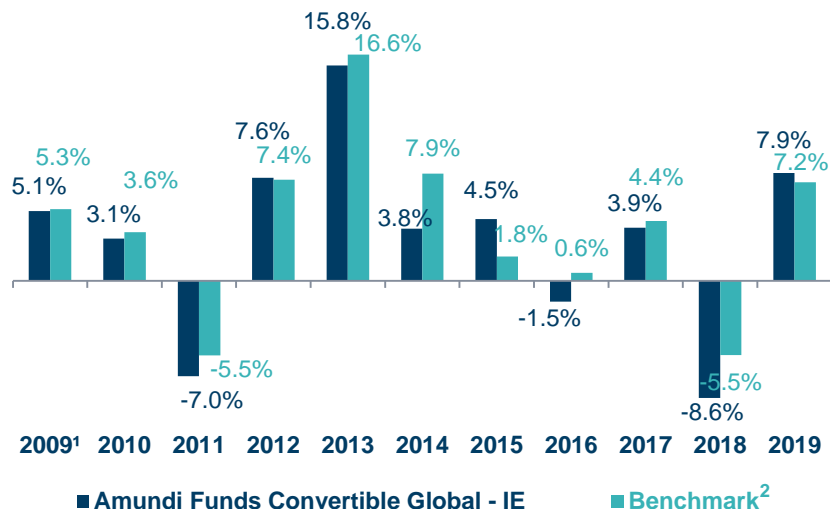
Source: Amundi, net performance as of 30/04/2019. Past performance is not a reliable indicator of future results or a guarantee of future returns. 1. The benchmark was changed on 02/02/2015 from TR European Focus Convertible to TR European Focus Convertible Hedged Euro 2. Volatility & Sharpe ratio calculated using weekly data. 3. Drawdown calculated using daily data. Morningstar rating as of December 2018

# Portfolio breakdown: Amundi Funds Convertible Europe



Source: Amundi, as of 30/04/2019. The current allocation may be changed without prior notice. All breakdowns based on Amundi Funds Convertible Europe; Breakdown by market capitalisation excludes options.

# Performance: Amundi Funds Convertible Global



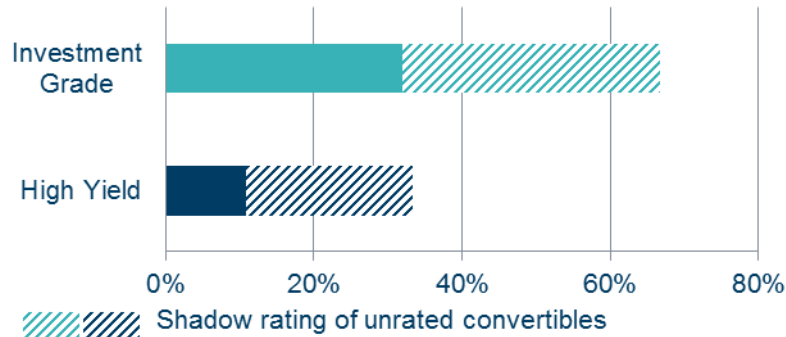
Net performance as of 30/04/2019	April	Q1	YTD	1 year	3 years annualised	5 years annualised	Annualised perf since incep. (Sep 2009)
Portfolio	1.5%	6.4%	7.9%	-1.5%	1.6%	1.6%	3.4%
Benchmark	1.3%	5.9%	7.2%	1.4%	2.9%	2.6%	4.4%
Excess Return	0.2%	0.5%	0.7%	-2.9%	-1.3%	-1.1%	-1.0%
Risk Indicators <sup>3,4</sup>	April	Q1	YTD	1 year	3 years	5 years	Since inception
Portfolio Volatility	-	-	-	6.5%	5.6%	6.2%	6.5%
Benchmark Volatility	-	-	-	6.2%	5.3%	6.1%	6.3%
Sharpe Ratio	-	-	-	-0.2	0.3	0.3	0.5
Max Drawdown	-0.6%	-1.2%	-1.2%	-10.1%	-12.0%	-12.0%	-12.0%
Benchmark Max Drawdown	-0.4%	-1.3%	-1.3%	-8.5%	-9.3%	-11.3%	-11.3%

<b>AuM (€M)</b>	122
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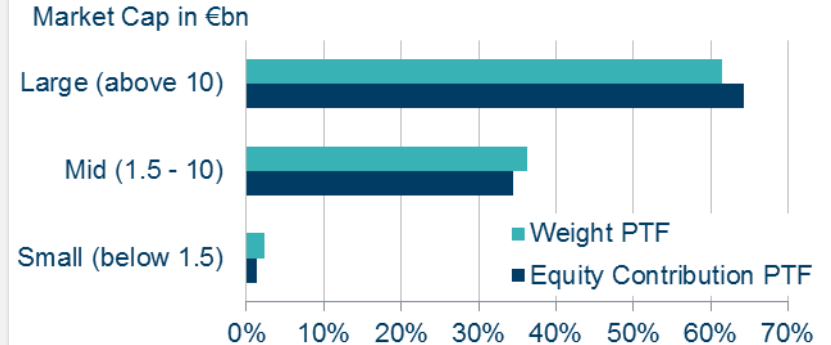
Source: Amundi, net performance as of 30/04/2019. Past performance is not a reliable indicator of future results or a guarantee of future returns. 1. Change of investment universe from Europe to Global on 30/09/2009 2. The benchmark was changed on 13/03/2015 from ML Investment Grade Hedged Euro Fiscalite to TR Global Focus Convertible Hedged. 3. Volatility & Sharpe ratio calculated using weekly data. 4. Drawdown calculated using daily data

# Portfolio breakdown: Amundi Funds Convertible Global

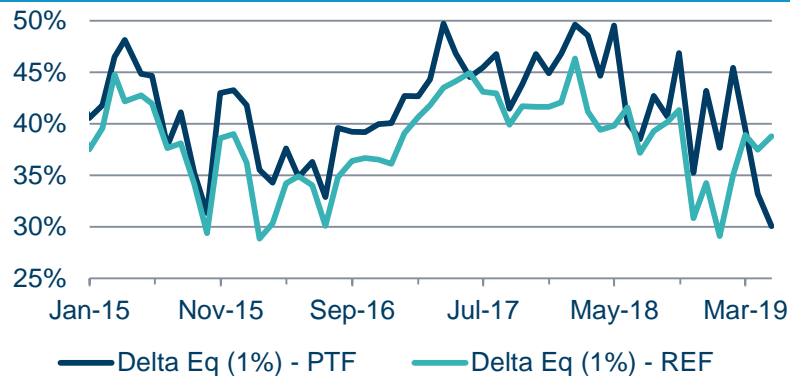
IG and shadow IG represent 67%



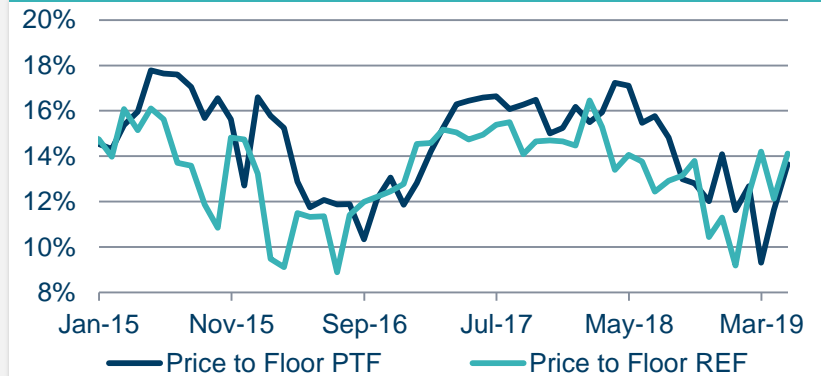
Balanced exposure to large and mid caps



Delta evolution fund vs. benchmark: overweight



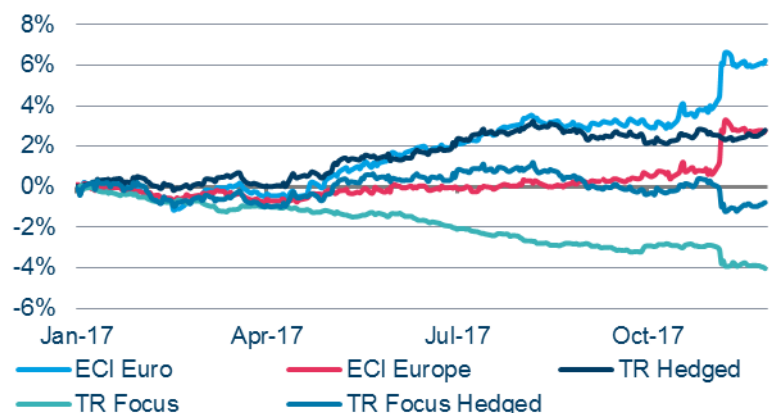
Distance to the Bond Floor



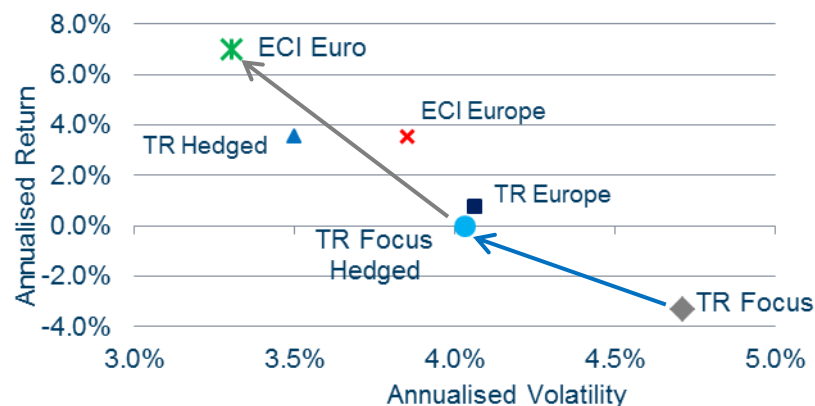
Source: Amundi, as of 30/04/2019. The current allocation may be changed without prior notice. All breakdowns based on Amundi Funds Convertible Global. Breakdown by market capitalisation excludes options

# European CBs: large dispersion among indices in 2017

2017: Relative Performance vs. TR Europe Index (0.7%)



Performance & Volatility of CB indices (2017)



## Strong dispersion of CB index performances and volatility in 2017

- Difference in performances reached 10.3 pts
- Volatility ranged from 3.3% to 4.7%

## Dispersion due to

- Differences regarding the investment universe
- Currency impact, whether hedged or not

## Arrows reflect the impact of:

- > EUR Currency Hedge
- > Different Investment Universe

Abbreviation	Index Full Name
TR Europe	Thomson Reuters CB Europe (EUR)
TR Hedged	Thomson Reuters CB Europe Hedged (EUR)
TR Focus	Thomson Reuters CB Europe Focus (EUR)
TR Focus Hedged	Thomson Reuters CB Europe Focus Hedged (EUR)
ECI Europe	EXANE CB Europe (EUR)
ECI Euro	EXANE CB Eurozone (EUR)

Source: Bloomberg, Amundi as of 29/12/2017. Past performance does not prejudice future performance

# Convertibles: risk and reward profile

- The investment does not benefit from any guarantee or protection.
- Important risks:
  - Credit risk: represents the risks associated with an issuer's sudden downgrading of its signature's quality or its default.
  - Liquidity risk: in case of low trading volume on financial markets, any buy or sell trade on these markets may lead to important market variations/fluctuations that may impact your portfolio valuation.
  - Counterparty risk: represents the risk of default of a market participant to fulfil its contractual obligations vis-à-vis your portfolio.
- The occurrence of any of these risks may have an impact on the net asset value of your portfolio.

Amundi Convertibles Euroland,  
Amundi Funds Convertible Europe &  
Amundi Funds Convertible Global

Amundi Funds Convertible Conservative

## Risk & Reward Profile (SRII)



Lower risk, potentially lower rewards  
Higher risk, potentially higher rewards

## Risk & Reward Profile (SRII)



Lower risk, potentially lower rewards  
Higher risk, potentially higher rewards

Source: Amundi as of 30/04/2019. The risk level of this Sub-Fund mainly reflects the market risk arising from investments in convertible bonds. Historical data may not be a reliable indication for the future. Risk category shown is not guaranteed and may shift over time. The SRII represents the risk and return profile present in the Key Investor Information Document (KIID). The lowest category does not imply that there is no risk. It is not guaranteed and may change through time. For more detailed information, please refer to the prospectus and KIID

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# Amundi's Convertible Bond Funds

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Amundi's Convertible Funds	ISIN	Currency	Share type
<b>Amundi Convertible Conservative SRI</b> (current name : Amundi Convertibles Euroland – I name change expected end of July/early August) BaFin authorisation in progress	FR0013411535	EUR	capitalisation
<b>Amundi Funds Convertible Conservative – IE</b> (merged into Amundi Funds Convertible Europe on 01/06/2019)	LU0272941385	EUR	capitalisation
<b>Amundi Funds Convertible Europe – IE</b>	LU0568614670	EUR	capitalisation
<b>Amundi Funds Convertible Global - IE</b>	LU0119108156	EUR	capitalisation

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Other share classes available

Ihre Ansprechpartner:

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+49 89 99226-2200  
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