# DNCA INVEST
# CREDIT CONVICTION

FLEXIBLE CREDIT

## Investment objective

The Sub-Fund's investment objective is to maximize the total return from a combination of income and capital growth by investing in fixed income securities. The Sub-Fund seeks to outperform the Bloomberg Euro-Aggregate Corporate Index (Bloomberg ticker: LECPTREU Index) on the recommended investment period.
To achieve its investment objective, the investment strategy is based on active discretionary management.

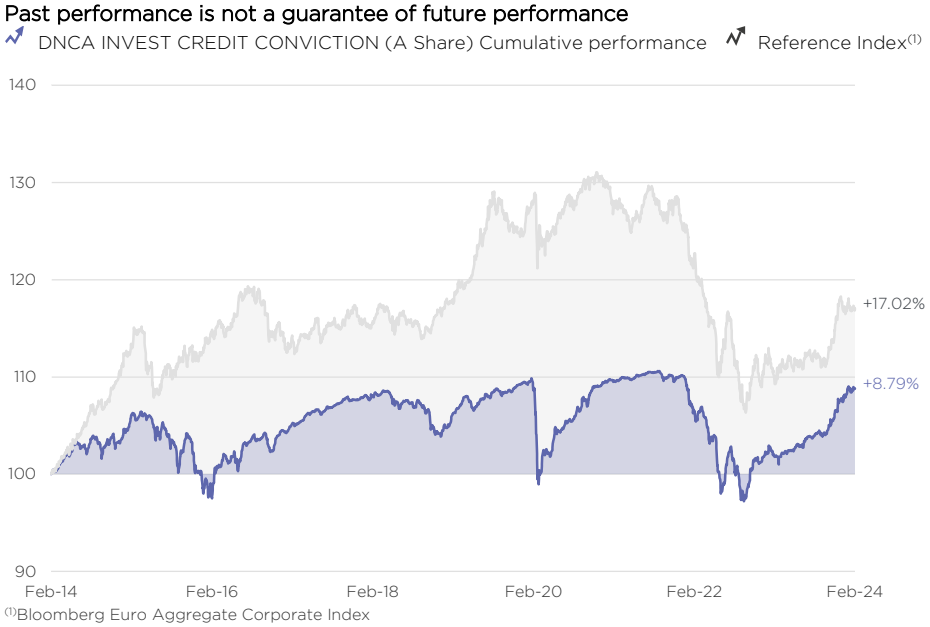
## Financial characteristics

| | |
|---|---|
| NAV (€) | 145.76 |
| Net assets (€M) | 235 |
| Number of issuers | 160 |
| Average modified duration | 3.21 |
| Net modified duration | 3.20 |
| Average maturity (years) | 3.77 |
| Average yield | 5.33% |
| Average rating | BBB- |

Past performance is compared to a benchmark (FTSE MTS Global) which changed on 03/02/2022 to the Bloomberg Euro-Aggregate Corporate Index.

## Performance (from 28/02/2014 to 29/02/2024)

Past performance is not a guarantee of future performance




(1)Bloomberg Euro Aggregate Corporate Index

## Annualised performances and volatilities (%)

| | 1 year | 2 years | 5 years | 10 years | Since inception |
|---|---|---|---|---|---|
| A Share | +6.85 | +1.07 | +0.48 | +0.85 | +2.40 |
| Reference Index | +6.58 | -1.82 | -0.10 | +1.58 | +2.83 |
| A Share - volatility | 2.11 | 3.12 | 2.92 | 2.67 | 2.46 |
| Reference Index - volatility | 4.28 | 5.30 | 4.81 | 4.30 | 4.27 |

## Cumulative performances (%)

| | 1 month | YTD | 1 year | 2 years | 5 years | 10 years |
|---|---|---|---|---|---|---|
| A Share | -0.23 | +0.89 | +6.85 | +2.16 | +2.42 | +8.79 |
| Reference Index | -0.88 | -0.75 | +6.58 | -3.61 | -0.51 | +17.02 |

## Calendar year performances (%)

| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|---|---|---|
| A Share | +6.49 | -8.08 | +0.98 | -0.12 | +4.81 | -3.26 | +3.54 | +3.67 | -2.88 | +5.76 |
| Reference Index | +8.19 | -13.53 | -3.48 | +4.95 | +6.59 | +0.80 | +0.44 | +3.11 | +1.67 | +13.33 |

## Risk indicator

1 **2** 3 4 5 6 7

Lower risk — Higher risk

Synthetic risk indicator according to PRIIPS. 1 corresponds to the lowest level and 7 to the highest level.

| | 1 year | 3 years | 5 years | 10 years |
|---|---|---|---|---|
| Sharpe Ratio | 3.24 | -0.08 | 0.16 | 0.32 |
| Tracking error | 3.76% | 4.36% | 4.69% | 4.43% |
| Correlation coefficient | 0.48 | 0.46 | 0.34 | 0.26 |
| Information Ratio | 0.07 | 0.58 | 0.12 | -0.17 |
| Beta | 0.24 | 0.25 | 0.21 | 0.16 |

**Main risks:** interest-rate risk, credit risk, risk of capital loss, convertible securities risk, perpetual bonds risk, risk related to exchange rate, liquidity risk, equity risk, distressed securities risk, risk of investing in Contingent Convertible Bonds and/or Exchangeable Bonds, specific risks associated with OTC derivative transactions, risk of investing in derivative instruments as well as instruments embedding derivatives, ESG risk, sustainability risk

## Main positions+

| | Weight |
|---|---|
| BKO 0 03/15/24 | 5.13% |
| Logicor Financing Sarl 4.63% 2028 | 1.28% |
| Hamburg Commercial Bank AG 6.25% 2024 (4.2) | 1.28% |
| Direct Line Insurance Group PLC PERP (3.4) | 1.24% |
| Autostrade per l'Italia SpA 5.13% 2033 | 1.15% |
| Intesa Sanpaolo SpA 7.2% 2033 (7.2) | 1.09% |
| Erste Group Bank AG PERP (5.5) | 0.99% |
| Barclays PLC 2025 FRN (4.1) | 0.93% |
| Lloyds Banking Group PLC PERP (3.5) | 0.91% |
| Virgin Money UK PLC PERP (4.4) | 0.90% |
| | **14.90%** |

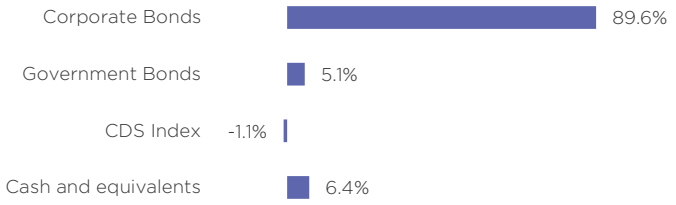
## Monthly performance contributions

**Past performance is not a guarantee of future performance**

| Best | Weight | Contribution |
|---|---|---|
| Novo Banco SA 2033 FRN | 0.85% | +0.02% |
| Ceska sporitelna AS 2028 FRN | 0.44% | +0.01% |
| BKO 0 03/15/24 | 5.13% | +0.01% |
| Cullinan Holdco Scsp 4.63% 2026 | 0.19% | +0.01% |
| Tapestry Inc 7.7% 2030 | 0.77% | +0.01% |

| Worst | Weight | Contribution |
|---|---|---|
| Aroundtown SA 3.63% 2031 | 0.46% | -0.03% |
| Kier Group PLC 9% 2028 | 0.40% | -0.02% |
| Teleperformance 5.25% 2028 | 0.39% | -0.02% |
| Teleperformance 5.75% 2031 | 0.31% | -0.02% |
| Nexity SA 0.88% 2028 CV | 0.17% | -0.02% |

## Asset class breakdown




## Currency breakdown




## Country breakdown

| | Fund | Index |
|---|---|---|
| France | 13.0% | 21.5% |
| United Kingdom | 12.0% | 8.0% |
| Spain | 11.7% | 5.9% |
| Germany | 11.2% | 13.9% |
| Italy | 11.0% | 5.2% |
| USA | 7.6% | 16.7% |
| Netherlands | 5.9% | 7.4% |
| Austria | 5.1% | 1.4% |
| Belgium | 4.3% | 1.9% |
| Ireland | 2.6% | 1.0% |
| Portugal | 2.5% | 0.4% |
| Sweden | 2.1% | 3.6% |
| Denmark | 1.9% | 1.5% |
| Luxembourg | 1.5% | 1.5% |
| Czech Republic | 0.9% | 0.3% |
| Norway | 0.4% | 0.7% |
| Finland | 0.4% | 1.0% |
| Switzerland | 0.3% | 3.3% |
| Poland | 0.2% | 0.1% |
| Slovenia | 0.1% | 0.0% |
| Other Countries | - | 4.7% |
| Cash and equivalents | 6.4% | N/A |

## Sector breakdown (ICB)

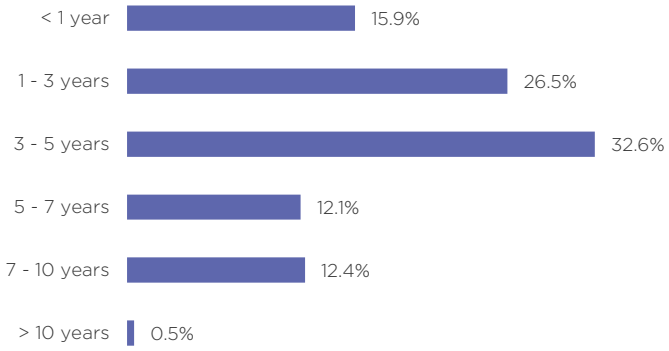
| | Fund | Index |
|---|---|---|
| Banks | 40.3% | 29.0% |
| Insurance | 8.0% | 3.9% |
| Consumer Products and Services | 6.6% | 2.3% |
| Real Estate | 5.8% | 5.4% |
| Govies | 5.1% | 0.0% |
| Industrial Goods and Services | 4.3% | 8.1% |
| Automobiles and Parts | 2.9% | 5.4% |
| Telecommunications | 2.8% | 5.2% |
| Financial Services | 2.8% | 6.3% |
| Construction and Materials | 2.7% | 2.1% |
| Travel and Leisure | 2.7% | 1.2% |
| Energy | 2.5% | 4.4% |
| Utilities | 1.8% | 7.4% |
| Food, Beverage and Tobacco | 1.2% | 5.2% |
| Basic Resources | 1.1% | 0.8% |
| Media | 1.0% | 1.2% |
| Health Care | 1.0% | 6.1% |
| Chemicals | 0.9% | 2.1% |
| Technology | 0.5% | 2.1% |
| Personal Care, Drug and Grocery | 0.4% | 1.6% |
| Retail | 0.4% | 0.2% |
| Cash and equivalents | 6.4% | N/A |

*The figure between brackets represents the issuer's 'responsibility' score. Please refer to the Internal Extra-financial analysis page for the analysis methodology.

## Bonds portfolio composition and indicators

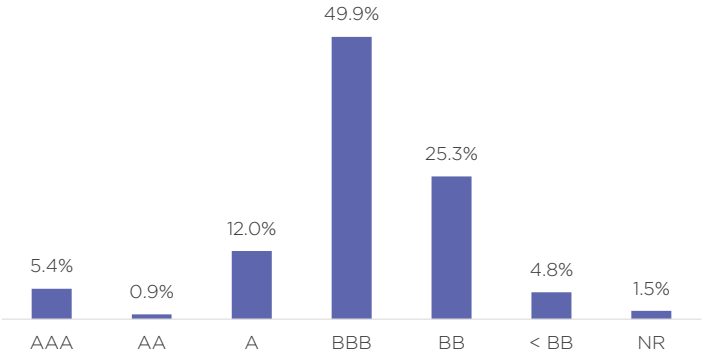
| | Weight | Maturity (yrs) | Modified duration | Yield | Number of lines |
|---|---|---|---|---|---|
| Fixed rate bonds | 46.66% | 3.81 | 3.29 | 4.54% | 120 |
| Hybrid bonds | 21.67% | 3.87 | 3.13 | 7.45% | 44 |
| Floating-rate bonds | 21.54% | 3.46 | 2.94 | 5.08% | 56 |
| Convertible bonds | 4.83% | 4.33 | 4.02 | 4.52% | 14 |
| **Total** | **94.70%** | **3.77** | **3.21** | **5.33%** | **234** |

## Maturity breakdown



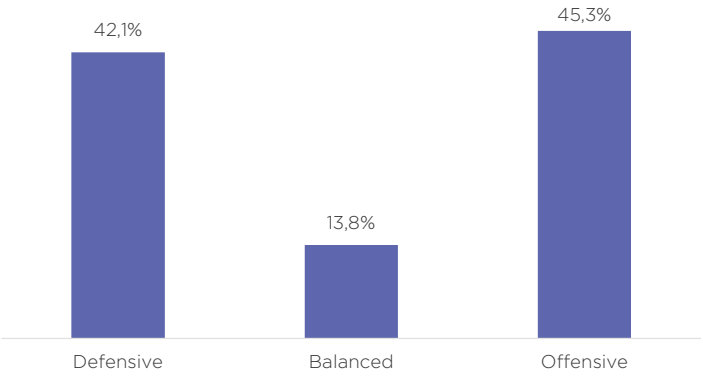

*Bonds portfolio (base 100)*

## Rating breakdown




*Bonds portfolio (base 100)*

## Breakdown by strategy




## Breakdown by Seniority

| | | Weight |
|---|---|---|
| Government Debt | | 5.13% |
| Senior | | 56.02% |
| Subordinated | | 28.72% |
| | *Bank Additional Tier 1* | 11.77% |
| | *Insurance Restricted Tier 1* | 6.22% |
| | *Bank Tier 2* | 5.56% |
| | *Corporate Hybrids* | 3.86% |
| | *Insurance Tier 2* | 1.32% |
| Convertibles | | 4.83% |
| Other | | 5.30% |

## Changes to portfolio holdings*

**In:** ABN AMRO Bank NV PERP, AP Moller - Maersk A/S 3.75% 2032 (5.8), Aroundtown SA PERP (5), Avis Budget Finance Plc 7% 2029, Booking Holdings Inc 3.5% 2029, Ford Motor Credit Co LLC 4.45% 2030 (4.8), Goldstory SASU 2030 FRN (3.8), Heimstaden Bostad Treasury BV 0.63% 2025, ING Groep NV 2029 FRN (5.4), Jyske Bank A/S PERP (4.1), Kier Group PLC 9% 2028 (5), Leasys SpA 3.88% 2028, Lloyds Banking Group PLC 2027 FRN (3.5), Novo Banco SA 2028 FRN (4.6), Nykredit Realkredit AS 3.88% 2027, Omnicom Finance Holdings PLC 3.7% 2032, Raiffeisen Bank International AG 2029 FRN (4.6) and Verallia SA 1.63% 2028 (5.8)

**Out:** Ahlstrom-Munksjo Holding 3 Oy 3.63% 2028 (5.2), AT&T Inc 3.55% 2032 (4.6), CaixaBank SA 2024 FRN (5.5), Cia de Seguros Fidelidade SA 2031 FRN, Hamburg Commercial Bank AG 2026 FRN (4.1), Hamburg Commercial Bank AG 4.88% 2027 (4.1), Holding d'Infrastructures des Metiers de l'Environnement 0.63% 2028 (5.3), Holding d'Infrastructures des Metiers de l'Environnement 4.5% 2027 (5.3), Icade Sante SACA 5.5% 2028 (5.1), Intesa Sanpaolo SpA 5.13% 2031 (7.2), Novelis Sheet Ingot GmbH 3.38% 2029 (5.2), Pension Insurance Corp PLC 8% 2033 (3.8), RCI Banque SA 2030 FRN (4.3), Rexel SA 2.13% 2028 (6.1), TDC Net A/S 5.06% 2028 (6.1), thyssenkrupp AG 2.88% 2024 (4.4), UniCredit SpA 2024 FRN (4.9) and Virgin Money UK PLC 2027 FRN (4.4)

*The figure between brackets represents the issuer's 'responsibility' score. Please refer to the Internal Extra-financial analysis page for the analysis methodology.

## Portfolio managers comments

In February, credit performed well (-10 bps on investment grade and -37 basis points on high yield) despite a rise of almost 25 basis points on German debt, against a backdrop of persistent inflation, leading central bankers to revise the number of adjustments to come. In fact, the European Core CPI came out at 3.3% versus 3.2% expected, and in the US, the ex-food and energy CPI at 3.9% versus 3.7% expected. However, there are signs of a slowdown in wage growth in the eurozone, but this does not appear to be enough for the ECB to take action. In terms of forecasts, the European Commission has lowered its growth scenario for 2024 to 0.8% for the eurozone (compared with 1.2% previously), which should provide grist for the mill for more dovish investors.

The main explanation for the good performance of credit is positive technical factors on the flow side (around 9 billion since the start of the year) in an extremely large primary market despite the blackout period. In fact, 60 billion of investment grade bonds were issued (and well absorbed), with issue premiums close to zero or even negative in some cases.

Sector-wise, we are seeing differences in the behaviour of the European market, with high beta outperforming the more defensive sectors again this month. Real estate (-22 basis points) and convertible and subordinated debt (-10 bps for banks and -17 bps for corporates) are outperforming, while the technology (+1 bps) and healthcare (-1 bps) sectors are lagging behind. High yield performed very well, with a spread tightening of 37 basis points.

Against this backdrop, the fund generated a slightly negative performance of -0.23% but well above its benchmark (65 bp) thanks to active duration management and a higher dts than the index.

The sectors that contributed most to performance were energy (notably with the excellent post-release performance of Saipem), insurance (especially the GBP-denominated subordinated portion) and transport (good performance by the convertible debt of International consolidated airlines group). The technology sector weighed on performance, particularly our exposure to teleperformance, which was weighed down by the exploits of the fintech Klarna's artificial intelligence tool. This tool carried out 2/3 of the company's customer relations conversations automatically, equivalent to the output of 700 agents.

On the movement side, we sold our positions in Hamburg commercial bank on the long end of the curve on potential weakness in German banks linked to their exposure to commercial property in the United States. We also bought protection on US credit indices in the event of an increase in this property stress.

During the month, we deployed some of the inflows in the banking and insurance sectors, as well as in goods and services. However, we placed some of this liquidity in money market funds and short German debt securities in order to redeploy it on the primary market. On the primary side, we participated in new issues by TDC, Verizon, Nykredit and Novo Banco.

We still prefer to carry via subordinated debt and high yield. We have extended the fund's duration to close to 3 years. The fund also has a responsibility performance score of /responsibility_score.

Text completed on 11/03/2024.



Ismaël Lecanu



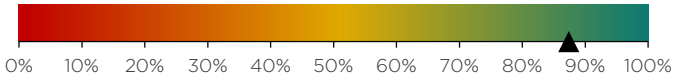
Jean-Marc Frelet, CFA



Nolwenn Le Roux, CFA

## Internal extra-financial analysis

### ABA coverage rate+(87.4%)

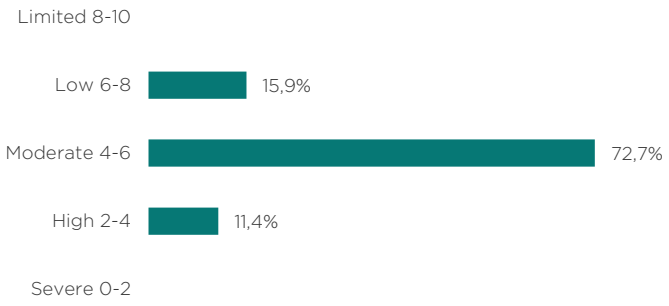



### Average Responsibility Score: 5.0/10

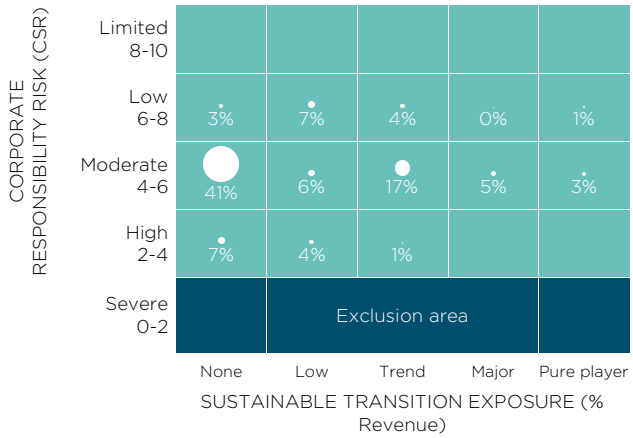
### Selectivity universe exclusion rate



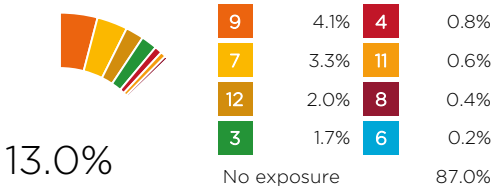

### Responsibility risk breakdown(1)



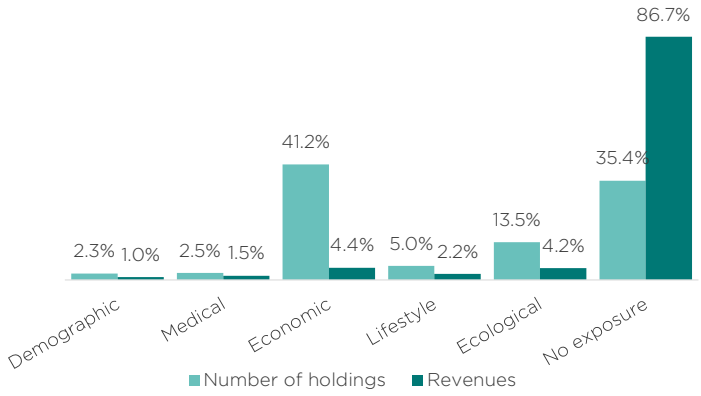

### Transition/CSR exposure(2)




### SDG's exposure(3) (% of revenues)




### Sustainable transitions exposure(4)




## Analysis methodology

We develop proprietary models based on our expertise and conviction to add tangible value in the selection of portfolio securities. DNCA's ESG analysis model, Above & Beyond Analysis (ABA), respects this principle and offers a rating that we control the entire construction. Information from companies is the main input to our rating. The methodologies for calculating ESG indicators and our responsible investor and engagement policy are available on our website by clicking here.

(1) The rating out of 10 integrates 4 risks of responsibility: shareholder, environmental, social and societal. Whatever their sector of activity, 24 indicators are evaluated, such as social climate, accounting risks, suppliers, business ethics, energy policy, quality of management.

(2) The ABA Matrix combines the Responsibility Risk and the Sustainable Transition exposure of the portfolio. It allows us to It allows companies to be mapped using a risk/opportunity approach.

(3) 1 No poverty. 2 Zero hunger. 3 Good health and well-being. 4 Quality education. 5 Gender equality. 6 Clean water and sanitation. 7 Clean and affordable energy. 8 Decent work and economic growth. 9 Industry, innovation and infrastructure. 10 Reduced inequalities. 11 Sustainable cities and communities. 12 Sustainable consumption and production. 13 Tackling climate change. 14 Aquatic life. 15 Terrestrial life. 16 Peace, justice and effective institutions. 17 Partnerships to achieve the goals.

(4) 5 transitions based on a long-term perspective of the financing of the economy allow the identification of activities with a positive contribution to sustainable development and to measure the exposure of companies in terms of turnover as well as exposure to the UN Sustainable Development Goals.

+The coverage rate measures the proportion of issuers (equities and corporate bonds) taken into account in the calculation of the extra-financial indicators. This measure is calculated as a % of the fund's net assets adjusted for cash, money market instruments, derivatives and any vehicle outside the scope of "listed equities and corporate bonds".

## Principal Adverse Impacts

| PAI | Unit | Fund | | Ref. Index | |
|---|---|---|---|---|---|
| | | Coverage | Value | Coverage | Value |
| PAI Corpo 1_1 - Tier 1 GHG emissions | T $CO_2$ | 70% | 7,908 | 88% | 493 |
| PAI Corpo 1_2 - Tier 2 GHG emissions | T $CO_2$ | 70% | 1,197 | 88% | 88 |
| PAI Corpo 1_3 - Tier 3 GHG emissions | T $CO_2$ | 69% | 52,203 | 88% | 3,341 |
| PAI Corpo 1T - Total GHG emissions | T $CO_2$ | 69% | 60,449 | 88% | 3,921 |
| PAI Corpo 2 - Carbon footprint | T $CO_2$/EUR million invested | 69% | 256 | 88% | 460 |
| PAI Corpo 3 - GHG intensity | T $CO_2$/EUR million sales | 88% | 734 | 98% | 850 |
| PAI Corpo 4 - Share of investments in companies active in the fossil fuel sector | | 3% | 2% | 11% | 11% |
| PAI Corpo 5 - Share of non-renewable energy consumption and production | | 78% | 68% | 94% | 68% |
| PAI Corpo 6_TOTAL - Energy consumption intensity by sector with high climate impact NACE | GWh / EUR million sales | 80% | 0.2 | 94% | 0.3 |
| PAI Corpo 7 - Activities with a negative impact on biodiversity-sensitive areas | | 0% | 0% | 0% | 0% |
| PAI Corpo 8 - Water discharges | T Water Emissions | 0% | | 2% | 9,361 |
| PAI Corpo 9 - Hazardous or radioactive waste ratio | T Hazardous Waste | 27% | 388,430 | 42% | 2,798,932 |
| PAI Corpo 10 - Violations of UNGC and OECD principles | | 84% | 0% | 97% | 0% |
| PAI Corpo 11 - Lack of UNGC and OECD compliance processes and mechanisms | | 82% | 24% | 96% | 19% |
| PAI Corpo 12 - Unadjusted gender pay gap | | 39% | 18% | 38% | 15% |
| PAI Corpo 13 - Gender diversity in governance bodies | | 82% | 38% | 96% | 39% |
| PAI Corpo 14 - Exposure to controversial weapons | | 85% | 0% | 97% | 0% |
| PAI Corpo OPT_1 - Water use | $m^3$/EUR mln sales | 1% | 0 | 5% | 0 |
| PAI Corpo OPT_2 - Water recycling | | 1% | 0% | 4% | 0% |
| PAI Corpo OPT_3 - Number of days lost due to injury, accident, death or illness | | 21% | 122 | 23% | 1 |

Source : MSCI

## Administrative information

**Name:** DNCA INVEST Credit Conviction
**ISIN code (Share A):** LU0284393930
**SFDR classification:** Art.8
**Inception date:** 14/04/2008
**Investment horizon:** Minimum 2 years
**Currency:** Euro
**Country of domicile:** Luxembourg
**Legal form:** SICAV
**Reference Index:** Bloomberg Euro Aggregate Corporate Index
**Valuation frequency:** Daily
**Management company:** DNCA Finance

**Portfolio Managers:**
Ismaël LECANU
Jean-Marc FRELET, CFA
Nolwenn LE ROUX, CFA

**Minimum investment:** 2,500 EUR
**Subscription fees:** - max
**Redemption fees:** -
**Management fees:** 1%
**Ongoing charges as of 30/12/2022:** 1.30%
**Performance fees:** 20% of the positive performance net of any fees above the index: Bloomberg Euro Aggregate Corporate Index with High Water Mark

**Custodian:** BNP Paribas - Luxembourg Branch
**Settlement:** T+2
**Cut off:** 12:00 Luxembourg time

## Legal information

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Past performance is not a reliable indicator of future performance.

Sub-fund of DNCA INVEST Investment company with variable capital (SICAV) under Luxembourg law in the form of a Société Anonyme - domiciled at 60 Av. J.F. Kennedy - L-1855 Luxembourg. It is authorised by the Commission de Surveillance du Secteur Financier (CSSF) and subject to the provisions of Chapter 15 of the Law of 17 December 2010.

DNCA Finance is a limited partnership (Société en Commandite Simple) approved by the Autorité des Marchés Financiers (AMF) as a portfolio management company under number GP00-030 and governed by the AMF's General Regulations, its doctrine and the Monetary and Financial Code. DNCA Finance is also a Non-Independent Investment Advisor within the meaning of the MIFID II Directive. DNCA Finance - 19 Place Vendôme-75001 Paris - e-mail: dnca@dnca-investments.com - tel: +33 (0)1 58 62 55 00 - website: www.dnca-investments.com.

Any complaint may be addressed, free of charge, either to your usual contact (within DNCA Finance or within a delegate of DNCA Finance), or directly to the Head of Compliance and Internal Control (RCCI) of DNCA Finance by writing to the company's head office (19 Place Vendôme, 75001 Paris, France).

This product promotes environmental or social characteristics, but does not have as its objective a sustainable investment. It might invest partially in assets that have a sustainable objective, for instance qualified as sustainable according to the EU classification.

This product is subject to sustainability risks as defined in the Regulation 2019/2088 (article 2(22)) by environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

If the portfolio investment process can incorporate ESG approach, the portfolio's investment objective is not primarily to mitigate this risk. The sustainability risk management policy is available on the website of the Management Company.

The reference benchmark as defined in the Regulation 2019/2088 (article 2(22)) does not intend to be consistent with the environmental or social characteristics promoted by the fund.

## Glossary

**Beta**. Measures the average extent to which a fund moves relative to the broader market. The beta of a market is 1. A fund with a beta of more than 1 moves on average to a greater extent than the market. A fund with a beta of less than 1 moves on average to a lesser extent. If beta is a minus number, it is likely that the stock and the market move in opposite directions.
**Correlation coefficient**. The correlation coefficient is a measure of correlation. It is used to determine the relationship between two assets over a given period. A positive coefficient means that the two assets move in the same direction. Conversely, a negative coefficient means that the assets move in the opposite direction. The correlation or decorrelation can be more or less strong and varies between -1 and 1.
**Sharpe Ratio**. The Sharpe ratio measures the excess return over the risk-free money rate of an asset portfolio divided by the standard deviation of that return. It is therefore a measure of the marginal return per unit of risk. It is used to measure the performance of managers with different risk policies.
**Sharpe Ratio**. A way of measuring the historical risk-adjusted return on an investment. It is the average previous return minus the risk-free return, divided by the standard deviation (a measure of risk that looks at the diversion of actual returns from expected returns).
**Tracking error**. Tracking Error is a measure of how closely an investment portfolio follows the index against which it is benchmarked. It is the difference in the return earned by a portfolio and the return earned by the benchmark against which the portfolio is constructed. For example, if a bond portfolio earns a return of 5.15% during a period when the portfolio's benchmark (say, for example, the Lehman Brothers Index) produces a return of 5.06%, the tracking error is .09%, or 9 basis points.

Additional notes

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